Daily Report

Latin America

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Cuba

Cuban-U.S. Bilateral Migration Agreements Viewed

FL1707133895 Havana Radio Rebelde Network in Spanish 0900 GMT 17 Jul 95

[From the "Doing Radio" program]

[FBIS Translated Text] Cuban and U.S. delegations will hold a fourth round of talks on implementation of bilateral migration agreements and other issues. Ricardo Alarcon, National Assembly of the People's Government president, heads the Cuban delegation; Anne Patterson Good, deputy assistant secretary of state for inter-American affairs, heads the U.S. delegation. Patterson said upon arriving at Jose Marti International Airport that over 24,000 Cubans have been issued visas over the last 10 months. The 9 September 1994 agreements states that the United States must issue at least 20,000 visas to Cuban migrants annually.

No Statements

PA1707155695 Havana PRENSA LATINA in Spanish 1459 GMT 17 Jul 95

[FBIS Translated Text] Havana, 17 Jul (PL) — Cuba and the United States here today opened their fourth round of migration talks.

The new meeting, which is taking place at the Havana Convention Palace, will review compliance with the migration agreements signed by both countries.

Ricardo Alarcon, president of the Cuban National Assembly of the People's Government (parliament), and Anne Patterson, U.S. deputy assistant secretary of state, head the two delegations.

The heads of the delegations refrained from giving statements to the press upon their arrival at the room where the talks are taking place, leaving this for when the talks conclude.

Upon her arrival in Cuba yesterday, Patterson said the primary goal of the new meeting is "to review the implementation of the agreements" already signed.

Under these agreements, the United States pledges to grant no less than 20,000 visas annually to Cuban citizens interested in emigrating to that country and to return to the island all people who attempt to enter U.S. territory illegally.

Alarcon: Talks 'Progressing'

FL1807020795 Havana Radio Rebelde Network in Spanish 2300 GMT 17 Jul 95

[From the "Exclusive" program]

[FBIS Translated Text] Ricardo Alarcon de Quesada, head of the Cuban delegation to the fourth round of migration talks with the United States, affirmed to the press today that the talks are progressing. This was the only comment made to the press by the president of the National Assembly of the People's Government as he was intercepted in the main lobby of the Convention Center, where the fourth round of talks since September's signing of migration agreements in New York, is being held today and tomorrow. This is the only comment made to the press; none of the other participants in the talks have made any statements to the press since they began at 1400 GMT today. This round is being held behind closed doors, as were the previous rounds in October in Havana, as well as the January and April rounds in New York.

[Further into the "Exclusive" program, Radio Rebelde carries the following report by correspondents Zenaida Costales and Perla Marina Alcober at the Convention Center in Havana]

The first session of the fourth round of Cuba-U.S. migration talks has just ended here at the Convention Center in Havana. The Cuban delegation is lead by Ricardo Alarcon de Quesada, president of the National Assembly of the People's Government. These talks are being held to check compliance with the agreements signed by Washington and Cuba in September, 1994 and during May last year, w hich ended the so-called rafter crisis and established the guidelines for legal, safe, and organized migration flow. At the conclusion of today's session, the head of the U.S. delegation, Anne Patterson, deputy assistant secretary of state for inter-American affairs, told reporters many issues were covered in the meeting.

[Begin Patterson recording, in English with sentence by sentence translation into Spanish] We had a full and successful exchange today. We are looking forward to meeting again tomorrow. We discussed a full range of issues. [end recording]

Of course these are not the only details on this round of migration talks. They have awakened great expectations. My colleague Perla Marina Alcober addresses other considerations that round off this report:

Thank you, Zenaida. Good evening, listeners. Taking up the issue again, we can affirm that this round exhibits special characteristics. It is the first time that

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Cuba and the United States are sitting down to the negotiating table since the signing of the migration accords during September, 1994 and May of this year. Everything seems to indicate that so far, the outcome of the meeting is productive and the parties are complying with the stipulations of both accords. Credible sources affirmed to the DPA that Cuban delegation leader Ricardo Alarcon could interject other bilateral issues into the talks. Statements by Anne Patterson as she left the Convention Center seem to confirm this observation which has prompted great expectations for tomorrow's final session here at the Convention Center.

'Positive Climate of Mutual Respect'

PA1807040995 Havana PRENSA LATINA in Spanish 0241 GMT 18 Jul 95

[FBIS Translated Text] Havana, 17 Jul (PL) — Cuba and U.S. representatives expressed their satisfaction and optimism on results of migratory talks that started between both countries here today.

"We held a thorough and constructive dialogue," said Anne Patterson, deputy assistant secretary of state for Latin American affairs in the U.S. State Department, when the first work meeting ended tonight.

Smiling and in a good mood, Ricardo Alarcon, president of the Cuban Parliament and head of the national delegation, said that a broad assortment of issues had been broached during the meeting "in a positive climate of mutual respect."

Although both parties refused to give details on the issues discussed, they showed optimism for the results of the meeting, which must conclude in the Havana Convention Palace tomorrow.

This is the fourth round of talks between both countries since they signed the agreements that ended the so-called rafters crisis of August 1994.

The meeting's declared goal is to assess the progress of the commitments the two countries made on migratory matters [sentence as received]

They also insisted on the need to discuss the blockade issue, because it is among the main causes of illegal emigration to the United States.

The U.S. Government has complained about the high price that Cubans interested in emigrating to that country must pay for making travel arrangements.

Although those are the main topics, the Cuban government has voiced its willingness to discuss other aspects of the disagreement "as long as the spirit that has prevailed in the migratory talks takes priority."

Meanwhile, the United States has insisted in maintaining the blockade and in discussing only the migratory issue in these meetings although it has admitted the possibility of adopting certain measures to help establish greater communications between the two countries.

Accords 'Going Well'

PA1807015495 Havana Radio Havana Cuba in Spanish 0000 GMT 18 Jul 95

[Report by Barbara Betancourt from the "Evening Information Review" newscast]

[FBIS Translated Text] Behind closed doors as usual and with the usual secrecy, Cuban and U.S. delegations began the fourth round of talks at the Havana Convention Palace this morning to evaluate compliance with the migration agreements both countries signed in September 1994 and May 1995. Journalists could obtain only the confirmation that the talks had begun and a promise from Ricardo Alarcon, president of the Cuban parliament and chief of the Cuban negotiating mission since the first round of talks, to meet with the press at the end of the meeting.

Anne Patterson, deputy assistant secretary of state for Latin American affairs, who is heading the U.S. delegation to the talks, was laconic also; smiling, she only said she felt optimistic.

This new round of talks is taking place only a few days after a congressional committee in Washington approved the anti-Cuba Helms-Burton bill and also after extreme right-wing organizations of Cuban exiles in Miami orchestrated a new provocation off the Cuban coasts, but neither of the sides has viewed these incidents as obstacles to the meeting.

In a statement prior to the beginning of the new round of talks, Carlos Fernandez de Cossio, director of the North American Office of the Foreign Ministry and one of the members of the Cuban mission, said the agreements are going well. He said that the situation of the so-called rafters confined at Guantanamo Naval Base has been resolved and that it has certainly been possible to guarantee more normal procedures in the immigration of Cubans to the United States. He warned, however, that the problem will not be totally solved as long as Washington persists in implementing a policy of economic strangulation on the island, which undoubtedly stimulates the migration problem.

This meeting in Havana is taking place, in the aftermath of the agreements previously signed, which have produced some results. In that sense, U.S. sources claim they have granted more than 24,000 visas to Cubans interested in leaving the country, have repatriated to the

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island approximately 60 rafters intercepted on the high seas after the 2 May agreement, and have permitted the gradual entry to the United States of a considerable number of Cubans confined at Guantanamo. All those figures will certainly be analyzed at the meeting taking place in Havana, as well as the difficulties both sides have confronted in complying with their respective commitments.

Robaina: Repercussions for Further 'Provocations'

PA1807003095 Havana PRENSA LATINA in Spanish 1919 GMT 17 Jul 95

[FBIS Translated Text] Havana, 17 Jul (PL) — Cuban Foreign Minister Roberto Robaina stated today in this city that any further provocations against Cuba, such as the border violation that took place on 13 July, will receive a severe response from the country.

In statements to the Colombian media, to which PRENSA LATINA had access to, Robaina highlighted that Cuban patience has its limits and that any new attempt such as the previously mentioned one will prompt Cuba not only to adopt measures to control it but also to put an end to it.

There should be no doubt that there is a clear intent on the part of the extreme rightist Cuban Americans living in the United States — those who took part in such a blatant violation — to destabilize our country by force, Robaina added.

The foreign relations minister warned that things have reached the point where there has been evidence publically of what those enemies of Cuba are determined to do in trying to show the world an alleged right over the country that only applies to real Cubans.

Robaina cautioned that what has cost so much to achieve will never be lost, not even by force, and even though those violations began 35 years ago, they should be convinced that we are not willing to continue tolerating them.

In response to questions related to the likelihood of a meeting between the Cuban and U.S. presidents, Robaina stated that in order for such a meeting to take place it would be necessary to first explore several alternatives, and, currently, the common issues both presidents would have to discuss are still too incipient.

Once the moment arrives, the only condition would be mutual respect, Robaina explained.

The foreign minister referred to the Cuban-U.S. migration talks, the fourth round of which began today in Havana, and added that the main feature of the past year was compliance with what had been agreed.

Great objectives are always attained by taking a first step, unfortunately there is no reason yet to be overenthusiastic, Robaina concluded.

Commentary Views Recent Offensive by 'Instigators'

PA1707002595 Havana Radio Havana Cuba in Spanish 0000 GMT 16 Jul 95

[Commentary by Norberto Hernandez from the "Evening Information Review" newscast]

[FBIS Translated Text] The recent offensive by counterrevolutionary instigators in Cuban waters demonstrates the despair of those who know they have failed in their attempt to recoup the leadership of Cuban exiles in the United States. Those people lose this leadership irremediably as time passes by. They can no longer continue to deceive their fellow countrymen and profit from the anti-Cuban counterrevolution, which has brought wealth to a few opportunists.

The recent signing of the migration agreement normalizing migration relations between the United States and Cuba was a fatal blow to their economic interests, the reason why they have kicked up a fuss, staging ridiculous demonstrations in Miami and Washington, D.C. These demonstrations have not elicited the expected support among the rest of the emigres who are already tired of the warmongering and gang-like attitude adopted by right wing radicals of the Cuban emigres living in the United States.

For more than 35 years, mafioso groups organized by Cuban emigres in the United States have been earning substantial profits from the counterrevolutionary business, exploiting naive people who believed in those phony liberators nourished by the CIA and successive U.S. administrations seeking to recover the control they held over Cuba for more than 50 years. Tens of organizations were created in an attempt to free Cuba from communism. These organizations recruited various people, including gunmen, extorters, and blackmailers to intimidate emigration employees and make them contribute to the cause. The collectors of these groups waited for workers to leave the factories on payday to collect money in exchange for vouchers or receipts written in deceitfully patriotic terms, disrespectfully invoking prominent Cuban people who would have been their most severe judges and would not have allowed their wrongdoing at the motherland's expense.

The leaders of this mafia group involved in political chicanery soon began driving luxury vehicles around Miami, surrounded by bodyguards, flatterers, and other parasites. This led to the proliferation of these groups

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or gangs, which proved to be a profitable business under government in the United States. Later, as it has occurred historically, the emigrant capos became businessmen, very influential, and even obtained the so-called right to pass piggyback laws [derecho de mampara] in the White House and the U.S. Congress. Some of them have even been elected to posts in the U.S. House of Representatives thanks to the resources and influence they obtained from exploiting the anti-Cuban counterrevolution.

When these people noticed the first signs of official discontent in Washington, probably tired of having this litter hooked to its udder, they jumped out of fear rather than indignation and decided to use some of their sizable wealth to organize boisterous rallies and trips, such as the one that took place on 13 July near Cuban coasts. If this incident were calmly studied, one would clearly discover the undertone of this maneuver. This flotilla of instigators included 11 crafts, six small planes, and two helicopters. These actions are quite costly, a point which no one doubts.

Who other than the U.S. Government, as it would be illogical under the current conditions, could have made this significant investment? It could have only been the millionaires from the group of emigrants, right wing radicals who are defending their thriving businesses, want to recover the perquisites they enjoyed for decades, and do not want to let go of the fat udder that fed them for so long. These people have enough money to finance actions of this type. They have sought to create a violent and fitting response by the Cuban authorities and wanted victims who could be used as symbols of their despicable cause.

The Cuban Government's calm and balanced response thwarted this wicked maneuver, but these people have been seriously warned that their infamous and ridiculous misdeeds will not continue without eliciting the appropriate reaction and will not go unpunished. They cannot say they have not been warned. Anyhow, it would be healthier for them to accept, once and for all, the reality that nobody believes them anymore, not even the most gullible people, and that their businesses have become truly bankrupt.

Commentary: Vietnam May Help U.S. See Cuba 'Anachronism'

FL1407160095 Havana Radio Rebelde Network in Spanish 1155 GMT 14 Jul 95

[Commentary by Eduardo Dimas from the "Doing Radio" program]

[FBIS Translated Text] President William Clinton announced the decision to normalize relations with Vietnam, during a ceremony in the White House last Tuesday. Clinton stated that it was time to heal wounds and carry on. He added that the U.S. Government will foster economic relations with Vietnam, in agreement with U.S. interests and policy, and stated that the decision will benefit both nations.

The normalization of relations between the United States and Vietnam was anticipated for quite some time. The U.S. Government lifted trade sanctions against Vietnam on February 1994, due — it is said — to pressure from powerful economic sectors interested in investing in Vietnam, which is undergoing a thorough economic transformation.

The decision to normalize relations takes place 20 years after the U.S. defeat in April 1975. This defeat submerged U.S. society into the so-called Vietnam syndrome, which officials unsuccessfully tried to end, because it was an obstacle interfering with U.S. militaristic designs.

The war caused the death of 58,000 U.S. citizens, and over 3 million Vietnamese people. There was no syndrome in Vietnam; however, the conflict caused the destruction of the economy, and had many social repercussions.

Some of us have had the chance to visit Vietnam, and have seen with our own eyes million of craters left by bombs, as well as the effect of napalm on human beings, and the consequences of agent orange. You will probably remember that there was worldwide rejection of this war; inside the United States the people opposed the war, and organized large protests nationwide.

There was also an economic aftermath to the war. The United States invested $165 billion — in 1975 dollars — to try to avoid the nation's unification, or — according to propaganda — the expansion of Soviet communism in Asia. That was the era of the acclaimed Euro-dollar, which in the long term caused the devaluation of U.S. currency and the departure from the gold standard, which was then one of the international monetary system basic accords.

However, not everyone in the United States agreed with the decision to normalize relations with Vietnam. Several Republican senators, and former combatants, have highlighted the MIA situation, because the location of over 2,000 U.S. soldiers is still unknown. Other people recalled that Clinton opposed the war, which Republicans have tried to turn into a sin against the fatherland.

Yet, if there is anyone entitled to feel resentment and hate, it is the Vietnamese people, whose suffering cannot equate to the pain felt in the U.S. because it

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was they who were attacked and decimated by the most powerful military apparatus of the time.

I believe that hawks in Congress cannot forgive — if there is something that cannot be forgiven — that this powerful war apparatus was defeated by the will of a humble nation, which was considered the poorest in Asia.

I agree with those who think that this step taken by the U.S. Government is a new victory for Vietnam — this time in the diplomatic arena.

In regards to the true motives behind the decision to normalize relations, added to the U.S. interest in participating in the exploitation of Vietnam's riches — a little late, by the way — we must also cite other reasons which some observers might consider foremost: the fear of China, worry about the development and expansion of an economy that might become one of the most powerful in the next century due to its material and human resources.

Therefore, there are strategic geopolitical interests behind the decision. Also, we cannot dismiss the fact that the U.S. Government wants to take advantage of the existing conflicts between China and Vietnam over Cambodia, and some islands that both nations claim as theirs.

I believe that the Vietnamese Party and Government have shown more than sufficient indications that they are too wise to be caught in a game which does not represent their interests. Yet, I agree that the decision to normalize relations was a very positive step. It sets a rightful precedent in U.S. policy, which we hope will perhaps help U.S. authorities understand the anachronism of its policy toward Cuba.

Enterprises Operating in Foreign Currency Viewed

Castro, Lage Address Issue

FL1307214695 Havana Radio Reloj Network in Spanish 1402 GMT 13 Jul 95

[FBIS Translated Text] A meeting of enterprises operating in foreign currency, presided over by Commander in Chief Fidel Castro and Carlos Lage, executive secretary of the Council of Ministers, was held from 6 to 9 July to discuss the general Cuban economic strategy.

Jose Luis Rodriguez, minister of the Economy and Planning, pointed out that Cuba is definitely experiencing a recovery, yet the critical burden of three poor sugarcane harvests in a row has compromised the Cuban financial situation in the short term. Lage noted that it is therefore essential for economic organizations linked to foreign business to increment profits, initially by reducing expenses, and to find ways of accruing higher dividends in convertible currency.

Lage indicated that before extending the privileges and responsibilities granted to these organizations, Cuba must assess they ways in which they are being utilized. He stressed the importance of knowing whether money and resources are being properly utilized, adding that the first steps taken must be efficient. He agreed, however, that global organizations must be given maximum authority for taking action when irregularities and violations occur, freezing accounts, canceling licenses, suspending privileges. He went on to say that discipline within cadres is fundamental to strict compliance with all regulations.

The overall battle to increase and systematize control, and the need for competent accounting were recurrent topics in the meeting of Cuban enterprises operating in foreign currency. During the three-day meeting, it was announced that there is no chance of a salary increase at the present time, not until internal balance is achieved and there is substantial improvement in production and efficiency. Participants noted, however, that various incentives have been approved and that others are being assessed, which will depend upon the availability of resources, upon categorical results in tough jobs, especially those linked to export sectors, and in some cases, to other economic activities or critical services to the people. Salary incentives in Cuban pesos will be the principal type of incentive. All others will be considered provisional.

Regarding salaries, there was ample support for the position of Enrique Perez Lopez, member of the Council of State, who believes that salaries must correspond with profits, thereby resulting in higher salaries for harder workers. Lage referred to the measures being implemented to increase the value of salaries, explaining that a positive trend is currently underway, which indicates that more people are working in agriculture, and that there is higher stability in this sector and in other sectors characterized by a labor force deficit. Lage agreed that incentives should continue. Lage also noted that foreign trade decentralization requires preparation, specialization, and consolidation.

He addressed the issue of adventurers, fortune seekers, and criminals who show up to do business in Cuba and sometimes cheat Cuban organizations. Lage stressed that Cuba cannot avoid the fact that there are criminals in the world, or stop them from entering the country with criminal designs, yet Cuba can prevent them from engaging in illegal business. He added that this is not hard to achieve, with knowledge, readiness, and the implementation of the law and established procedures.

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National bank president Francisco Soberon stressed that Cuban accounting is far from being able to offer a true and correct outlook on the situation of Cuban enterprises. He added that this problem needs to be addressed before Cuban performance on the international financial market can be successful.

Lage went on to say that Cuba — and every Third World country — needs the help of foreign financing for development, and because of well-known problems, Cuba urgently needs this aid for the critical minimal resources to guarantee a working economy and to supply the basic needs of the people. Lage pointed out that more foreign banks are interested in opening businesses in Cuba as a result of the political victory of the Revolution, which has been able to resist and has won the recognition and prestige needed to continue improving its situation. Lage added that Cuba has additional prospects of financial support.

Lage stated that the Cuban opening to foreign investment has no parallel. He added that the Cuban socialist system seeks investment to maximize capital, technology, and market share, to achieve what cannot be accomplished without assistance. [Words indistinct] efficiency, which cannot be achieved without training and aggressiveness.

Ernesto Melendez, minister of economic cooperation and foreign investment, pointed out that approval of a new law that will look for more professionalism from all Cubans has generated greater interest from investors.

Participants also discussed current tax law, organizations operating in foreign currency, and pricing policy. Commander in Chief Fidel Castro stressed the need for morals, a code of ethics to neutralize corruption. He stated that work must be honest from the beginning, and stressed the importance of conferring dignity and social prestige on inspection and auditing jobs. He agreed that those positions should be filled by serious people who must be well organized, trained, and must receive help with their difficult work, during which they will have to confront the inventiveness and corruption of criminals trying to disrupt order and discipline, break the law, and evade taxes.

Brigadier General Armando Quinones also participated in the meeting, which was fully covered today in GRANMA newspaper, and commented on the need for a political battle to stop corruption of officials connected with businesses operating in foreign currency. He cited problems related to corruption, such as the lack of resource control, political and moral weakness, and a lack of revolutionary vigilance by the units associated with those corrupt officials.

Quinones stated that facts are more eloquent than names, and pointed out cases investigated that involved acceptance of bribes, diversion of resources, and the granting of preference to the foreign partner during negotiations. He added that officials cannot forget that they must be austere because they are negotiating on behalf of the state's highests interests.

Commander in Chief Fidel Castro pointed out that there was never a single case of corruption in over three decades of trade with the Soviet Union, and that Socialist morals must be preserved, that corruption and the factors leading to corruption must be stopped.

Castro added that discipline and control are essential, but agreed that the Interior Ministry cannot undertake this task alone, and that a political battle against corruption is crucial because corruption damages Cuba's image, and it hurts as much as [words indistinct].

In addition, Fidel remarked that it was obvious that tourism would bring risks because illness, drugs, and prostitution lead to the insecurity created by terrorism [as heard]. He stated that Cuba therefore needs to implement, and if necessary, strengthen measures in that regard.

Support for Economic Changes

PA1307235895 Havana Radio Havana Cuba in Spanish 0000 GMT 12 Jul 95

[Report by Guillermo Alvarado from the "Evening Information Review" newscast]

[FBIS Translated Text] A three-day meeting of directors of enterprises operating with foreign currency has been held in Havana. The Executive Committee of the Council of Ministers summoned the session, which was attended by President Fidel Castro and Carlos Lage, who reaffirmed that the country's continuing economic transformations are in line with the strategy of a socialist state, which is the initiator and guide of this process. The definition of the objectives, priorities, and the progression of each decision, as well as the guidelines for actions and control over the implementation of these decisions, come precisely from this national decision-making body.

The meeting stressed that the current situation in the Cuban economy requires greater collective and individual discipline in both old and new economic areas, whether these involve enterprises, joint ventures, or agencies [representaciones], as well as in terms of major players, objectives, directors, executives, officials, and workers. With this in mind, the established guidelines will ensure beforehand the success of the restructuring of the country's economy, which must not and cannot

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lead to capitalism but, rather, to the promotion of an efficient and competitive structure capable of producing the material and financial resources needed for the nation's development.

During the discussions, the participants reviewed the expansion of the nation's foreign investment policy as a means to secure more technology, markets, and capital. They noted that, as of 31 May, 212 joint ventures were operating with capital from 63 countries, representing an investment of more than $2.1 billion. They also noted that foreign investment is not being sought to transform the ownership system prevailing in Cuba, but to develop the socialist system. The idea is not replace those goods that can be produced in the country.

One of the basic topics broached at the meeting was the question of how to make state enterprises more efficient with or without foreign capital, because these enterprises are the source of the country's revenues. It was reported that in 1994 the budget to finance losses in unprofitable enterprises was reduced by 37 percent from 1993. Even so, subsidies wound up running 6 percent above the original budgetary targets, and, because of this, the authorities are working to increase the reduction.

One negative aspect discussed during the meeting dealt with the high volume of accounts receivable. This figure rose from $32 million in 1993 to $79 million in 1994. It was explained that this increase mainly stemmed from the debt chain and delays in payment among Cuban enterprises, which is a problem that still must be resolved.

In one of his intercessions in the meeting, President Fidel Castro said the nation's socialist and revolutionary outlook must not be lost. He later noted how the lack of monitoring, control, and self-discipline has generated some vulnerability to bribery and corruption, something the revolution will fight against with all of its might.

Robaina, Belize's Barrow Confirm Relations

FL1707225895 Havana Radio Rebelde Network in Spanish 1700 GMT 15 Jul 95

[Report by Ilia Sardinas; from the "National Radio News"]

[FBIS Translated Text] Cuban Foreign Minister Roberto Robaina and Belizean Foreign Relations Minister Dean Oliver Barrow signed documents today at the Foreign Ministry headquarters, confirming the establishment of full diplomatic relations between the two countries. Robaina Gonzalez expressed the Cuban Government's satisfaction with official confirmation of relations, which had been preceded by high-level communication on bilateral, multilateral, and cultural issues. Robaina also highlighted Belize's support in Caricom, and of the great battles Cuba is waging in the international arena, such as condemnation of the blockade and the Helms-Burton Bill.

[Begin Robaina recording, in Spanish with simultaneous translation into English] In the establishment of official relations, the Belizean point of view on special issues of international import has not been absent. We have the support of [word indistinct] and of Caricom in general. [end recording]

Barrow, Belizean vice prime minister and foreign minister, indicated that the establishment of relations expands the basis for cooperation between the two nations.

[Begin Barrow recording, in English with sentence by sentence translation into Spanish] I wish to pay personal tribute to you, and to thank you for the personal effort you have made toward completing this process today. [end recording]

Barrow on Accord Benefits

PA1707155995 Havana Radio Havana Cuba in Spanish 0000 GMT 16 Jul 95

[Report on interview with Dean Oliver Barrow, Belizean deputy prime minister and foreign minister, by Barbara Betancourt; from "The Evening Information Review" newscast; Betancourt's questions in Spanish with passage-by-passage translation into English and Barrow's answers in English with passage-by-passage translation into Spanish; place and date not given — recorded]

[FBIS Translated Text] [Betancourt] In Havana shortly after signing the agreement that officially establishes full diplomatic relations with Cuba, Dean Oliver Barrow, Belize's deputy prime minister and foreign minister, denied before the media that this action will have negative implications for Belize in its relations with the United States.

[Barrow] Well, we expect that the United States, as a mature country, will respect the right of Belize as a country that, although very small, is independent and has a right to pursue its own destiny. For us, the reality of Cuba as a neighbor and as a friend cannot be denied. We would be disappointed if the United States did not understand our position, but we are confident that they will be guided by the applicable international principles and respect the right of Belize to be friends with Cuba.

[Betancourt] You mentioned the possibility of business and tourism between Cuba and Belize. These are precisely two of the topics that will be discussed at the Association of Caribbean States [ACS] summit in August. What will Belize's position be in this regard?

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[Barrow] Although we are very supportive of the whole process that has given birth to the Association of Caribbean States, we are a little bit disappointed that it has taken so long for the practical operations, but we will continue to do our share to give as much impetus to the process. In the meantime, if countries such as Belize and Cuba can do their share with respect to the strengthening of bilateral relations, I think that will make easier the larger process, (?the Caribbean-wide process).

[Betancourt] Bilateral relations have been fully restored. From a practical and objective point of view, what will these relations be like?

[Barrow] Well, the point I have tried to make is that already there are airs of cooperation between Belize and Cuba. Remember that we have had consular relations for some time, and excellent work has been done by both your consul generals. This is for me merely an additional, although very important step, in a continuing process [word indistinct] see our two countries come closer together.

I think we can build particularly on the cooperation that exists in the area of health.

I think it is critical that Belize try to exploit the possibilities of taking advantage of the large influx of European tourists into Cuba. With the (?airlink) between Havana and Belize City, it could be fairly easy to persuade the European tourists to visit Belize as an additional destination for not too much more money.

I also want to stress the psychological aspects of what has been done here today. I am saying that the Caribbean Sea unites us, that we are neighbors, that we are part of one region, and that therefore when we do things such as this, establish full-fledged diplomatic relations, it sends a very important signal, it can help to develop the intercourse between our two peoples, so that we might learn more about each other and live as true neighbors and fraternal people.

Colombian Vice President Ends Visit, Signs Agreements

PA1807030095 Havana PRENSA LATINA in Spanish 1715 GMT 17 Jul 95

[By Javier Rodriguez]

[FBIS Translated Text] Havana, 17 Jul (PL) — Today, Cuba and Colombia signed several cooperation agreements in the last day of Colombian Vice President Humberto de la Calle's visit to the island.

De la Calle and Cuban Vice President Carlos Lage signed a final document which, in addition to summarizing the results of the talks during the Colombian vice president's three-day visit [as received], established guidelines for the meeting of the intergovernmental mixed commission, scheduled for August.

According to the Colombian vice president, the document notes the similarity of the work being done by both countries within the Non-Aligned Movement (NAM), including efforts to attain greater Latin American presence in that organization.

De la Calle and Cuban Public Health Minister Carlos Dotres signed an agreement by which Colombia will purchase $10 million worth of vaccines against meningitis and hepatitis B, broadening the exisiting basic agreement in that important area of social service.

Rosa Elena Simeon, Cuban minister of science and technology and Colombian Social Development Minister Rodrigo Marin signed a third scientific-technical agreement on industrial property of the patent and trademark information systems.

In a brief speech, Lage stressed "the special and great importance" of the Colombian vice president's visit and its positive effects in the relations between both governments and peoples.

The signing of agreements that specifically outline bilateral cooperation and strenghten relations is important. In addition, we were also impressed by the delegation's interest in learning about our reality and our social development plans.

Meanwhile, de la Calle expressed his gratitude for "the sincerity, hospitality, and friendliness" with which Cubans received the Colombian mission, adding that they could feel the real Latin American affection.

De la Calle praised the imagination, dignity, and heroism with which Cuba is facing the current difficulties and the people's certainty of their final triumph.

He described as positive the agreements reached and he particularly expressed his appreciation for the openness and frankness that characterized his talks with President Fidel Castro.

We have received a proof of Latin America's enormous generosity, he added.

De la Calle viewed his visit to Cuba as very fruitful, adding that plans in the areas of health, sports, and education in Cuba are for the benefit of its people.

Roberto Robaina and Ernesto Melendez, Cuban ministers of foreign relations, and foreign investment and economic cooperation, respectively, and other Cuban officials as well as Colombian Ambassador to Cuba Ricardo Santamaria were also present at the ceremony.

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Syrian Deputy Minister Meets With Vice Foreign Minister

PA1807043295 Havana PRENSA LATINA in Spanish 1744 GMT 17 Jul 95

[FBIS Translated Text] Havana, 17 Jul (PL) — Syrian Deputy Foreign Minister Rislam Allouch today talked with Cuban Vice Foreign Minister Benigno Perez on the status of relations between both countries and the need to increase bilateral economic trade.

Allouch, who arrived in Havana the previous evening, confirmed his country's support for Cuba, through the Nonaligned Movement [NAM], in its struggle against the blockade Washington has imposed against it for more than 30 years.

In statements to PRENSA LATINA, Perez said Damascus has always backed Havana, both with its vote at the United Nations condemning the White House's siege against the island as well as at the UN Human Rights Commission.

During the meeting, the Syrian official confirmed his country's political will to extend its cooperation with the Caribbean nation beyond the bilateral sphere.

In this regard, they coordinated a common position on several issues pertaining to international relations to be broached at the forthcoming NAM summit to be held in Colombia next October.

The Arab diplomat will meet with Cuban Foreign Minister Roberto Robaina and will visit the Havana vaccine production plant of the Carlos J. Finlay Institute, among other sites of social interest.

Likewise, Allouch will meet with Lazaro Barredo, vice president of the Foreign Relations Commission of the National Assembly (parliament).

Experts To Finalize Cuban Nuclear Plant Plans in Russia

PY1307010295 Rio de Janeiro JORNAL DO BRASIL in Portuguese 11 Jul 95 p 6

[From the "JB Report" column by Dora Kramer]

[FBIS Translated Text] Experts from the MPE [expansion unknown] group of Rio de Janeiro will depart for Moscow on 14 July to settle the last details of the Cuban nuclear power plant, the construction of which Fidel Castro wants to resume.

Paralyzed since the downfall of the Soviet Union, the nuclear plant, which is located in Cienfuegos, will be finished thanks to financing from Russia, MPE, and a consortium of British and German banks.

The cost of the construction will be $750 million, and it will supply energy to the hotels of Varadero.

Assessment of Juragua Nuclear Plant Situation

PA1407035195 Havana PRENSA LATINA in Spanish 1603 GMT 12 Jul 95

[FBIS Translated Text] Havana, 12 Jul (PL) — Rodrigo Ortiz, Cuban vice minister of basic industry, today said, "Our nuclear reactor is safe. We have trained personnel who have operated this type of installation in other plants similar to the one in Juragua."

In an interview with the official GRANMA newspaper, Ortiz asserted, "Quality controls have been systematically implemented at this site." The construction of the power plant could be renewed once the technical-economic feasibility study, "which will fully establish its situation," is concluded this month.

Located in the southern province of Cienfuegos, the Juragua nuclear power plant will include two Russian VVER-440/318 reactors similar to ones installed in nuclear plants in Finland and Hungary. These are, Ortiz stated, "considered to be the ones more readily available in the world."

The Cuban official explained that the World Association of Nuclear Operators (WANO) [Associacion Mundial de Operadores Nucleares] has proposed 48 modifications be made to this type of reactor to improve its safety, adding that "38 of those modifications are included in our project, and the rest will be made before the plant goes on line."

Furthermore, he added, this plant will be equipped with a instrument and control system supplied by a Western company.

According to the vice minister, three top-level WANO experts visited Juragua in January 1993 and presented a report on the plant after they met with Cuban specialists, visited the warehouses, and examined the installed equipment.

In this document, Ortiz noted, the WANO specialists stated that they "had not observed any problems that would prompt them to recommend the plant not be completed." Since September 1992, the construction of the plant has "basically halted because of financial problems caused by the collapse of the Soviet Union."

"Since that time, and together with representatives of the Russian factories, we developed a work program for the plant that has allowed us to preserve what has been built and to maintain the technological equipment under optimum conditions," Ortiz said. For this purpose, the

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high-level official added, Russia granted Cuba a loan of $30 million.

Ortiz said that "the startup of the plant's operations will not be authorized if it is not safe," and this will require a license from the Cuban supervisory departments, as well as "the necessary inspections by the corresponding international organizations."

"We discovered, for example, flaws in the construction (at Juragua), and they were corrected, and some parts were even destroyed and rebuilt to ensure quality," he admitted.

Referring to the campaign launched by several sectors of the Cuban emigrants in the United States against the completion of the plant, the Cuban official said they are using "baseless, superficial, and whimsical technical and professional arguments to rouse the fears of people in the United States and other countries."

Cuba, he recalled, is a signatory of the International Atomic Energy Agency (IAEA) Safeguards Agreement for all fundamental equipment related to the nuclear production cycle, and "we have received three inspections (one every year) that certified the plant's condition."

"This demonstrates the plant's reliability and security," he said.

According to Ortiz, once work is resumed, "Juragua will take approximately three and one-half years to start generating power, and, at that time, we will have an additional 417 megawatts incorporated into the national electrical power system — that is to say, approximately 15 percent of annual demand."

Currently, the construction of the first reactor block is about 75 percent complete; mechanical assembly, 20 percent complete; and the electrical section, 17 percent, according to the vice minister of basic industry.

Regarding the building that will house the reactor, he noted, more than 90 percent of this work has been completed, and part of the auxiliary equipment is ready to be installed.

IAEA Director General Hans Blix visited the construction site in January 1995 and said he was very impressed "with measures adopted to preserve the plant so that work can be renewed as soon as the financial situation is more favorable," Ortiz concluded.

Nuclear Agency Head Assesses Development Prospects

PA1407223395 Havana Radio Havana Cuba in Spanish 0000 GMT 13 Jul 95

[Report by Isidro Fardales from the "Evening Information Review" newscast; passages within quotation marks are recorded]

[FBIS Translated Text] The 1994-1995 academic year of the Higher Institute of Nuclear Science and Technology [Instituto Superior de Ciencia y Tecnologias Nucleares] has just ended with 48 nuclear science graduates obtaining their degrees, 14 of them with honors. The institute is headquartered in Havana.

In addition to these 11 nuclear physicists, 16 radiochemists, and 21 engineers, to whom the state has guaranteed employment, four professors obtained scientific doctorate degrees. This means that one out of every four professors at that institution has a doctorate in nuclear science.

The speech closing the school year was made by Daniel Codorniu Pujol, president of Cuba's Nuclear Energy Agency.

[Codorniu] "Today we are attending the graduation of a new class of the Higher Institute of Nuclear Science and Technology. This year graduation has special significance because this institute recently secured the title of national vanguard of the CTC [Central Organization of Cuban Trade Unions].

"I am sure this is a source of healthy pride for all workers and students of this center, but especially for the graduates, who will be able to say with satisfaction that they obtained their degree at a first-rate study center in our country."

Dr. Codorniu said that regardless of what work graduates from this promotion may perform in the future, their technical knowledge must be used to help the people around them better understand nuclear energy in a world where detractors of this energy source have won ground because of what happened at Chernobyl.

[Codorniu] "Unfortunately, in addition to the justified and objective criticism of nuclear energy, many opportunistic trends have emerged in the world that manipulate technical information for cheap political purposes, sometimes to respond to the interests of transnationals that find the development of this technology does not suit their quest for increasingly larger profits.

"These sectors are producing strong propaganda, not only against nuclear plants but against all applications of nuclear energy, minimizing or pretending to ignore the

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benefits that the peaceful use of this energy has brought to humanity and exaggerating its risks and deficiencies.

"That is why professionals linked to nuclear technology now more than ever have the huge responsibility of giving the public the technical information necessary to objectively evaluate the truth about nuclear energy. Companeros, this is not a senseless defense of a technology that, like any other, has advantages and disadvantages, or an attempt to demonstrate that nuclear energy is a panacea, like many thought in the 1970's. The idea is to transmit objective information, clearly and professionally, based on the results of scientific and technological experiences that would allow judgment on this method."

The president of Cuba's Nuclear Energy Agency recalled that the centennial of French scientist Antoine-Henri Becquerel's discovery of natural radioactivity will be commemorated in 1996. He explained that this discovery marked the beginning of the peaceful use of radiation and paved the way for the such discoveries as nuclear fusion and chain reactions.

Codorniu wondered if anyone could question the important services radiotherapy, nuclear medicine, the use of isotopes in bio-science, agricultural, and industrial research have played.

He said it would take forever to list all the benefits of radiation.

[Codorniu] "In the energy field, I would like to point out the following: Nuclear energy is the only technology for generating electricity that has from the very beginning considered the possible impact on the environment. It is the only human endeavor that has kept research on safety systems hand in hand with technological development. Plants are authorized to function based on strict security rulings by independent security entities, and the sites where they are built are the subject of rigorous approval processes. More than 420 reactors throughout the world annually produce almost 2 billion kilowatt-hours of energy, which is 17 percent of the total amount of electricity produced in the world. Nuclear energy is the third most important source of electricity after coal and hydroelectricity.

"It is important to note that in evaluating the cost of the electricity produced by these plants — including all costs related to security, the environment, controls on radioactive waste, and the dismantling of installations at the end of their useful lives, something that is not done to other plants — in many cases it is competitive with other options, and even less expensive than some.

"Nuclear plants produce basic power; that is, they can produce a great deal of electricity day and night, which allows peak periods to be served by thermoelectric plants. This way renewable energy sources such as solar, wind, and hydroelectricity may be used when available.

"It is indisputable that the Chernobyl accident was a disaster of global proportions. However, based on that experience, countless security, cooperation, and prevention measures have been implemented which would make a repetition of this type of accident practically impossible.

"Nuclear energy is the only large-scale source of electricity that does not produce sulfur or nitrogen oxide and does not discharge carbon dioxide into the atmosphere.

"From the point of view of participants at the Rio Summit on the noticeable drop in the discharge of gasses which produce the greenhouse effect, nuclear energy is the only kind of energy that offers a viable alternative.

"Radioactive waste is definitely a disadvantage of technology. This is one of the main targets of the antinuclear people. What these people do not say is that all important forms of energy produce toxic waste. Comparatively speaking, nuclear plants produce much less waste than other types of plants. For example, to produce 6 billion kilowatt-hours per year, which is the consumption of a large city like Paris, a nuclear plant would generate a few hundred tons of waste. The same amount of electricity generated by coal would produce more than 6 million tons of greenhouse gasses and more than 300,000 tons of ash containing approximately 400 tons of toxic elements such as arsenic, cadmium, mercury, and lead, which cannot be controlled at all.

"The small volume of radioactive waste makes possible and financially feasible the storage and confinement of this waste in suitable installations. Technology for its correct disposal is careful and continues to be improved for definite application."

Dr. Daniel Codorniu Pujol emphasized the need to take all these elements into consideration when assessing the future prospects of this technology. He added that in 1992 the government decided to halt work on the Juragua Nuclear Plant under construction in Cienfuegos. Since then, Cuba has searched for ways to finish the project under the best possible conditions from all viewpoints. If one of the two reactors is completed, Cuba would have an additional 400 megawatts available for the country's electrical power system. He also noted that the economic and technical liability study is in its final phase. The study has taken several months and will allow specialists to determine the investment needed to complete and start up the first reactor. Based on this assessment, discussions will begin with the companies

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that are interested in providing the funds and creating the required economic partnerships.

[Codorniu] "In response to the progress made in such studies, and well aware of how important completing this nuclear plant is to our country, the most reactionary sectors of the Cuban emigre community in Miami have resumed their old campaign against the Cuban nuclear program. Making use of their well-known sensationalist media to create panic, they have resumed their repulsive nagging about the dangers of a new Chernobyl in the Caribbean and the imminent arrival of radioactive clouds over Florida from an imaginary accident at what they call our obsolete plant run by incompetent, irresponsible natives.

"To give this campaign a technological appearance, these politicians of the worst kind substantiate their warnings with statements by alleged, quote-unquote, nuclear specialists. These specialists are nothing more than a handful of jellyfish who have had some degree of contact, usually very superficial, with our nuclear institutions. They are self-proclaimed experts who are capable of making the most imaginative risk assessments just to earn a few pennies and abandon their fatherland. Some of these individuals have never even been in Juragua, so it is not surprising that the statements of these flamboyant advisers are no more than impressive nonsense. There are, therefore, no real technical grounds for these affirmations. They are nothing more than a summary of fabricated hysteria, to which the people who support such incredible things as the Helms-Burton Bill have made us so accustomed.

"Nevertheless, this situation reinforces our belief that it is of the utmost importance that we be capable of objectively communicating the real situation surrounding nuclear energy and, in particular, our nuclear program. This kind of campaign could have an impact on certain poorly informed sectors of the public in an international atmosphere that is adverse to nuclear power. I would therefore like to clarify certain things about our program.

"We must first look at the very essence of our revolution, whose final beneficiary is man; the welfare of our people. Consequently, the state is extremely careful to prevent any technical investment that could pose a threat to public health or to the safety of the people or the environment. Hence, the Juragua Nuclear Energy Plant would never go into operation, no matter how positive the technical and economic evaluation proves to be or how many companies are interested, if the security standards imposed for this program are not met and its operation is believed to pose a real danger. That would be absurd. It would go against the very essence of our system. Any nuclear or radioactive facility programmed to go into operation in our country must first go through a strict selection process at specialized Cuban organizations. The process meets very rigid standards established following recommendations of the International Atomic Energy Agency. After the concession is granted, systematic inspections are made in order to detect any abnormal condition.

"The fact that Cuba was one of the first nations to sign the International Conference on Nuclear Safety is clear proof of our state's concern for the security of its nuclear plants. According to the agreement, Cuba is obliged to advise the international community regarding its compliment with world-wide accepted safety standards. This has not been just for show or simply as a slogan. We signed because our plants will meet those standards, thanks to the efforts of our companero workers at the Ministry of Basic Industry to incorporate all those safety features and the preparation that the National Center for Nuclear Energy Safety has made, as the Cuban regulatory authority, to strictly supervise said compliment strictly."

Another scheme our critics use is to confuse the uneducated public by telling it the Juragua nuclear reactors are similar to those at the Chernobyl plant and, therefore, are potentially dangerous. He has said this issue has been explained many times, stressing that our plant uses the same technology used in a majority of successful plants all over the world. The reactors were built based on international experience. They are, then, an improvement over previously built plants of their type. In addition, he has said, the systematic analysis of international experience has brought to light other technological improvements that will be applied if and when construction of the Juragua plant resumes. In so doing, the program would incorporate the most up-to-date security features.

[Codorniu] "Lastly, our critics seem to ignore the infrastructure and qualified personnel our country has been preparing for more than 15 years to engage in a serious multipurpose nuclear program. This new group, the graduation of which we celebrate today, further nurtures this talented and dedicated team.

"The message we have sought to deliver today is the need for each and every one of us to contribute to making known the truth about nuclear power and its possibilities, including its limitations as well but, rather, properly and objectively examined. Not only is it important that we dedicate ourselves to our specific tasks, but we must also contribute to clearly establish what we do and why we do it.

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"This generation, particularly yours, the youngest and best prepared, must continue the work of those who discovered the secrets of the atom almost 100 years ago and dedicated their lives to putting that discovery to the service of mankind.

"On behalf of the Ministry of Science, Technology, and the Environment and the Council of Directors of the Nuclear Energy Agency, I sincerely congratulate these new graduates and wish them success in their professional lives. I would also like to express my sincere congratulations to the brave contingent of workers and students who have been awarded the distinguished title of National Vanguard, under very demanding working conditions. I encourage you all to continue your work with the same enthusiasm our people have shown in pressing on with our beautiful project of a better society."

Haiti

Election Coverage Continues; CEP Widely Faulted

CEP: Partial Elections Set for 23 Jul

95CA9158 Port-au-Prince Signal FM Radio in French 1030 GMT 17 Jul 95

[FBIS Translated Text] The Provisional Electoral Council [CEP] announces that it is going to hold partial elections for senators, deputies, and communal magistrate cartels in eight departments. These elections will be held on 23 July in the following areas: Department of the Southeast: Belle-Anse; Department of the South: Coteaux; Department of the Northeast: Sainte-Suzanne; Department of the Northwest: Jean-Rabel; Department of the North: Limbe, Bas Limbe, Dondon, Saint-Raphael; Borgne, and Port Margot; Department of Grand'Anse: Baraderes; Department of the Artibonite: Desdunes, La Chapelle, Grande Saline, and Ennery; and in the Department of the West: Carrefour, Kenscoff, Croix des Bouquets, 3d District of Port-au-Prince, 7th [District] Morne l'Hopital, 8th [District] Martissant — which begins (?southwest) of Carrefour Feuilles and ends at Fontamara 43 [street]. [sentence as heard]

The candidates concerned are asked to bring their emblems and their photographs to the CEP or to the BED [Departmental Electoral Office] of the department concerned by 1100 on Tuesday 19 July at the latest. After that deadline, the CEP declines all responsibility for a candidates's emblem or photograph's not appearing on the ballot.

Official Criticizes CEP

95CA9159 Port-au-Prince Signal FM Radio in French 1030 GMT 17 Jul 95

[FBIS Translated Text] The Provisional Electoral Council [CEP] has resumed anachronistic and dictatorial practices, encouraged by active elements [acteurs] both indigenous and foreign. Such is the criticism of Dunois Eric Cantave, current director general at the Ministry of Culture.

The 25 June elections have not permitted us to move forward along the path of democracy. On the contrary, they have thrown us into the past, maintains Mr. Cantave, who does not intend to endorse what he has always repudiated. The CEP authorities have created out of incompetence a conscious and sordid political strategy that bears little hope, said Mr. Cantave.

[Begin Cantave recording] We can today affirm, without risk of being mistaken, that it is not at all a matter of a step forward toward democracy [une avancee democratique], but rather of a return to the past, with the use of anachronistic, indecent, dictatorial practices being encouraged by active elements both indiginous and foreign for the benefit of their petty interests, both personal and party; their thirst for power, to the detriment of all the rules of ethics and all the moral values that should guide our actions in a community that one loves and which one sees as one's own.

I would blame myself, were I to leave such a sorry legacy to, and set such a sorry example for, future generations, which are already observing us and which are seeking points of reference. I would blame myself, were I to be unable to say that they have made of incompetence a political strategy that is consciously sordid, and hardly the bearer of hope. I would blame myself, were I to be unable to analyze and propose options to a population thirsting for democracy, peace, justice, and employment. I would blame myself, were I to no longer be able to oppose unreasonable, destabilizing, anti-progressive machinations by certain citizens or groups of citizens of diverse perspectives and creeds. I would blame myself for not being able to move forward proudly today — now that we have a country for which we must, and in fact have, made enormous sacrifices — so as to open up new perspectives. I would blame myself, were I today no longer able to ask for, and justify, in the name of fraternity among peoples, that international cooperation without which we will have great difficulty in getting off the ground. I would blame myself, were I no longer able to invite the citizens of Haiti, in the name of the desire for progress and well-being, to greater involvement in civic affairs. Lastly, I would feel rather comfortable within a credible, democratic opposition that was able

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to denounce and bar the way to all such willful practices, punctuated by acts of intolerance, incompetance, and arrogance capable only of leading us to dictatorship. [end recording]

That was Dunois Eric Cantave of the Conacom, the party of the National Congress of Democratic Movements.

Conacom To Boycott CEP Meetings

95CA9163 Port-au-Prince Signal FM Radio in French 1030 GMT 17 Jul

[FBIS Translated Text] A meeting of the Provisional Electoral Council's [CEP] Election Monitoring and Supervision Unit [Unite de Surveillance et de Controle des Elections, USCE] is scheduled for today. Conacom [National Congress of Democratic Movements] refuses to participate in any meeting held by the CEP headed by Anselme Remy. In a letter addressed to the CEP President Remy, Conacom gives several reasons why it is going to boycott meetings held by the CEP headed by Mr. Remy.

First, the electoral apparatus that you set up functioned inexorably, like an infernal machine, systematically violating the electoral law, political ethics, and our country's Constitution. Therefore, you have frustrated the agreement on the USCE, playing on the patriotic tolerance of the political parties; and the rules governing universal suffrage were not respected on 25 June 1995, writes Conacom in this letter.

You also took on responsibility for publishing unorthodox [fantaisiste] results despite the evidence of irregularities, outright fraud, and the legitimate conplaints of all participants save those of the Lavalas coalition. A few illustrations: There were no elections held in La Chapelle, yet you proclaimed results for that legislative district. In the West, candidate (Wesner Emmanuel), whom on the morning of 12 July you said had received 32 percent of the vote, was proclaimed senator a few hours later. In the Artibonite, candidate (Samuel Madistin) [words indistinct] balloting was appointed senator three days after the publication of the official results, writes Conacom in its letter addressed to CEP President Anselme Remy and bearing the signature of [Conacom] Secretary General Victor Benoit.

Former Senator: 'Selections' vs Elections Held

95CA9156 Port-au-Prince Signal FM Radio in French 1030 GMT 14 Jul 95

[FBIS Translated Excerpt] Former Senator Julio Larosilliere reproves the Haitian political leaders following the publication of the partial results of th 25 June 1995 elections. He accuses the Haitian political class of having contributed to the increase in the number of Lavalas people elected. He explains that this is because of the lack of unity prevailing among the nation's political leaders. [preceding word in English]

Sen. Larosilliere, elected for six years, reproaches the political leaders for not having accepted his proposal that general elections be held throughout the country.

[Begin Larosilliere recording, in Creole] [Words indistinct] that the Lavalas party had greater means, with which to go to elections. You take a good look at the propaganda Lavalas disseminated — know what I mean? — that other parties were not in a position to disseminate. They, too, must admit that it is there that they could have a discussion with the executive, to ask how, in an electoral campaign, the government can aid the financing of electoral campaigns, can help the political parties meet the expenses that an electoral campaign entails.

[Unidentified correspondent] Senator, what did you see, so as to notice that the elections were going to have problems, and then have that really happen?

[Larosilliere] My dear fellow, let me [words indistinct]. When you are a political figure and are working for the good of a nation, you cannot look ahead just one or two meters. You have to look very very far ahead, because it is you who are doing the thinking, you who are doing the looking, for everyone, for the Haitian people. But when you are taking care of your own personal business, when you enter into political life to take care of personal business, well, you have a problem. You cannot (?withdraw) [words indistinct] tomorrow morning, (?because) everything short-term helps you.

Well, I say I am looking. I have been given a mandate by a people. It is normal for me to [word indistinct]. I am trying to look for it, look farther than today. It is in that same context that I was able to see that the elections would turn out the way that they have. [end recording]

For his part, former Senator (Fignole Jean-Louis), has blamed the Provisional Electoral Council [CEP] for the serious faults noted in the electoral process. The CEP did not hold elections but rather selections. That is why he is abstaining from the second round of elections — he said. This candidate for senator for the central plateau, who did not make it past the first round of elections, expressed serious doubts about the ability of the political parties that met at the Holiday Inn hotel to make a serious decision capable of detouring the actions [demarches] of the CEP.

[Begin recording in Creole] [Passage omitted] [Unidentified reporter] Speaking of the political parties that met

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at the Holiday Inn, the guys who [words indistinct] alternative or strategy. What do you think of that?

[(Figole Jean-Louis)] Well, as regards the other political parties, it's all very well and good, some of them. But I myself have many doubts about them, because there are a number of political parties that it suffices for President Aristide, or the government, to call them [words indistinct] general direction [words indistinct] direction, and they are capable of doing whatever. I know those parties already. We had that experience with those guys since the time of the coup d'etat. They are not men who are consistent in what they say. (?Except for) the FNCD [National Front for Change and Democracy]. We know there is a faction within the FNCD that is capable of obliging the FNCD to take political positions that will permit us to come up with a normal parliament, a parliament that is made (?in such a way as to have in it), in which there are deputies who will defend the Haitian people's interests. [end recording]

Outgoing Mayor Renews Call for Annulment

95CA9155 Port-au-Prince Signal FM Radio in French 1030 GMT 14 Jul 95

[FBIS Translated Text] Outgoing Port-au-Prince Mayor Evans Paul persists in calling for the annulment of the first round of elections, even after the publication of the results by the Provisional Electoral Council [CEP]. [Communal] Magistrate Evans Paul denounces crooked wheelings and dealings that he says sullied the voting process to the detriment of his candidacy. Reiterating his desire to struggle for the establishment of democracy in Haiti, Mr. Paul encourages his partisans to persist.

Asked about his relations with the Lavalas sector, Paul says he has always wanted to work for the city's progress. Paul asks that the elections purely and simply be declared null and void.

[Begin Paul recording, in Creole] We had already denounced the elections as elections involving much cheating [anpil trou nan manch], much fraud [fo marmit]. We called it a champwel [a pejorative referring to secret voodoo societies, which are greatly feared and disliked by the general population] elections, and reality has proved that the elections have resulted in a champwel result.

As regards Port-au-Prince, well, everyone knows there was a special anti-Evans-Paul operation that was being carried out for political reasons. We ourselves are pro-democracy combatants. You can be sure we are not going to allow the democracy for which we have fought to be effected without us.

In that situation, we maintain our position. We maintain the same conviction. We denounce all deception. We stand our ground firmly on the FNCD's [National Front for Change and Democracy] position, and we will continue to wage the battle until true democracy triumphs in Haiti.

We issue a call to all our sincere collaborators, all our partisans and sympathizers. We say to them: Hang in there! It is true that democracy has been stabbed in the back badly, but democracy will not die as long as there are staunch [word indistinct] who are determined to struggle so that things will change. [end recording]

I remind listeners that it is popular singer Manno Charlemagne who will henceforth be leading Port-au-Prince City Hall, in place of Evans Paul, defeated in the first round of these elections.

Public Prosecutor Warns Against Threats

95CA9160 Port-au-Prince Signal FM Radio in French 1030 GMT 17 Jul

[FBIS Translated Text] The public prosecutor of the Civil Court of Port-au-Prince, attorney (Jean Auguste Brutus), said Friday that legal proceedings will be initiated by the government against anyone who attempts to disturb public order through threats and tempestuous declarations. Mr. (Brutus) issued this warning particularly to the candidates who failed to get elected in the 25 June elections who have declared they are ready to take action if the Provisional Electoral Council does not give them satisfaction.

The moment I learn of declarations inciting violence and revolt, I will not hesitate to initiate public action within the framework of the law—warned the public prosecutor, adding that he is the guarantor of public order.

Jacmel BEC Official Admits Election Fraud

95CA9161 Port-au-Prince Signal FM Radio in French 1030 GMT 17 Jul 95

[FBIS Translated Text] Mr. (Ronald Gai), the secretary of the Jacmel Communal Electoral Office [BEC], was arrested 12 July for fraud during the electoral process of 25 June 1995. Accused of having deliberately drawn up a false report on alleged fraud committed by the president of the BEC, when he appeared in court on 13 July, Mr. (Gai) admitted his guilt and indicated he had not acted alone. In fact, according to information obtained from judicial sources in Jacmel, the document in question was drawn up by Mr. (Gai) for the benefit of independent candidate (Joseph Lambert), a former member of the 45th Legislature, so that (Lambert)

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could shore up, before the Provisional Electoral Council [CEP], his contention of the 25 June elections in the commune of Jacmel. The same sources indicate that in his action, Mr. (Gai) received the support of a Lavalas candidate for senator who was furious because he had lost to another candidate from the same coalition.

For the Departmental Electoral office of the Department of the Southeast, the thing is to find out how candidate (Lambert) came to have in his possession the document prepared by Mr. (Gai), which was addressed to the president of the BEC. It is an administrative document belonging to the CEP, and the veracity of which should be judged by the CEP, said a BED official, who thinks the objective is to justify the requests by candidates who lost to have the elections in Jacmel commune be declared null and void.

PAIN Suspends 'All Electoral Activity'

95CA9164 Port-au-Prince Signal FM Radio in French 1030 GMT 17 Jul 95

[FBIS Translated Excerpt] The PAIN [National Agricultural and Industrial Party] is suspending all electoral activity while awaiting the annulment of the first round of elections, confirms a new letter sent to Anselme Remy, president of the Provisional Electoral Council. [passage omitted]

Brutus Denounces 'Arbitrary Arrest' as 'Political Persecution'

Gilles, Barbier Comment on Situation

95CA9165 Port-au-Prince Signal FM Radio in French 1030 GMT 17 Jul 95

[FBIS Translated Text] Duly Brutus, former president of the Chamber of Deputies, was arrested Saturday morning in Port-au-Prince in connection with the 23 June fire at the BEC [Communal Electoral Office] of his district, Limbe. Mr. Brutus, commenting at his residence in Thomassin, in Port-au-Prince, shortly after he was called in, denounced his arbitrary arrest, which he called political persecution.

The 25 June elections in Limbe, some 30 km south of Cap-Haitien, had to be cancelled by the Provisional Electoral Council [CEP] following the destruction of the ballots in a criminal fire. Brutus accused members of the Haitian Government and followers of the Lavalas coalition, which backs Haiti's current chief of state, of having organized a plot to assassinate him.

On elections day, pursued by a crowd of young Lavalas supporters, Brutus, one of the leaders of the Nationalist Progressive Revolutionary Party of Haiti [Panpra]—which is affiliated to the Socialist International—had taken refuge at the Limbe Police Station. He declared that the fire, which according to him was due to an inter-Lavalas quarrel, was aimed at preventing him from being re-elected.

According to the arrest warrant, Mr. Brutus is accused of subversive machinations and complicity in the fire. He was incarcerated in the Petion-Ville jail. Moreover, a Limbe justice of the peace has also been arrested within the framework of this affair.

According to the explanations furnished by the head of the Haitian Interim Police concerning Brutus's arrest, Brutus had been sought by the justice department since 5 July. In this matter of the former deputy, the Interim Police carried out an order from the judiciary — said Major Dany Toussaint, chief of the Port-au-Prince Police, whom you will now hear.

[Begin recording in Creole] [Toussaint] Well, we had a warrant for Deputy Duly Brutus, back on 5 July [words indistinct] to seek him out and take him before the public prosecutor. Thus, indeed, today the police in Thomassin managed to find him. They arrested him at around 0930 and sent him to appear at the Office of the Public Prosecutor. Unfortunately, the Publilc Prosecutor's Office closed. We are awaiting a decision from the justice department telling us what to do.

[Unidentified correspondent] Have you contacted the public prosecutor [commissaire du gouvernement]?

[Toussaint] We are sure that that the public prosecutor is currently out of the country. He is not in Haiti. He left for a few days, to attend a seminar or something like that.

[Correspondent] So, are you planning to keep [words indistinct]?

[Toussaint] Well, we, the police.... [pauses] It is not the police who arrested him. He was arrested because there was a warrant for his arrest. What we did was carry out an order. So, we are awaiting another order telling us to release him on bail, or release him temporarily, or just release him, period. [end recording]

Serges Gilles, coordinator of Panpra — of which Duly Brutus is a member — and another member of the party leadership, Anthony Barbier, minister of public administration [title as heard] in the current government, insisted on being taken prisoner in solidarity with their colleague.

The exact reasons for Mr. Brutus' arrest are not yet known. Nevertheless, the former Panpra deputy, who was running to succeed himself for Limbre District, was accused during an election day demonstration of being

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involved in the criminal arson at the local BEC on 23 June 1995.

For their part, Gilles and Brutus had, on 27 June, accused the Lavalas people of being responsible for the fire, also denouncing a plot which they claimed was aimed at assassinating the former deputy.

Here are the positions of Panpra coordinator Serge Gilles and Anthony Barbier on this arrest.

[Begin recording, in Creole] [Gilles] [Words indistinct] if we don't react (?with) the peaceful means available to us, such an act can compromise his future, as well as the nation's future.

[Unidentified correspondent] But what motives....

[Gilles, interrupting] Wait, wait, wait, wait, wait. Hold on, hold on — because I need to look at the future. I'm getting there.

On what basis, according to the charge sheet, do they say Duly Brutus troubled the public order through his subversive machinations?

OK, let's even suppose that it were true. You still couldn't just arrest him like that, if you hadn't caught him in the act. Now, that is not at all the case. What is most revolting is that everyone knows that it is not true. In front of the entire political class, in front of the president of the Republic, former Senator Rony Mondestin said what happened in Limbe, and who set fire to the ballots in Limbe.

We say such things were unacceptable. But what's more: It happened again. (?It wasn't a working day.) Thus, everyone had (?complied)

[Correspondent] [Words indistinct] the weekend....

[Gilles, interrupting] Yes, that means that I felt a deliberate desire on the part of certain people — people who don't really want democracy in Haiti — to put an end to the political class.

[Barbier] One of the things that made us protest most was that the CEP used all means at its disposal to eliminate the political class as a whole. The day after the elections, the CEP issued a communique in which it made accusations against, almost directly, Conacom [National Congress of Democratic movements] and FNCD [National Front for Change and Democcracy]. Today it has struck the Panpra. And we feel that the entire political class is going to be struck, and that CEP has decreed that there should no longer be a political class, or any political leaders, in Haiti at all! Thus, we ourselves are ready to do battle with the CEP over that. But [words indistinct]. Why? Because itself, the people in the CEP... [pauses] there are a number of people in the CEP who think that there is a single party in this country. We say that there should be pluralism, and we will fight for it, [repeats] fight for it, fight for it. [end recording]

ALAH on Brutus Arrest, Election Monitoring

95CA9166 Port-au-Prince Signal FM Radio in French 1030 GMT 17 Jul 95

[FBIS Translated Excerpt] Regarding the arrest of Duly Brutus: Reynold Georges of the Alliance for the Liberation and Progress of Haiti [ALAH] expresses his frustration and indignation following that act. Georges, leader of ALAH, says he wants Mr. Brutus released immediately. According to Georges, the arrest of Brutus, former president of the Chamber of Deputies, is not attributable to a judicial decision.

[Begin Georges recording, in Creole] As the former president of the Chamber of Deputies, we know that Duly Brutus is a true democrat, We don't think Duly can be implicated in any dishonest action. We choose to believe it is an act of intimidation. We hope the judicial authorities have a very good reason for doing this, and we have already noted a flaw in procedure, because no one was caught in the act, so they should have served a summons to appear instead of an an arrest warrant. [passage omitted including brief break in reception] [end recording]

In this same interview, Georges announced that his party, ALAH, will not participate in the meeting between the Provisional Electoral Council's Election Monitoring and Supervision Unit and the political parties scheduled for today.

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Mexico Spends 44 Percent of $50 Billion Credit Package

PA1807025895 Mexico City NOTIMEX in Spanish 0028 GMT 18 Jul 95

[FBIS Translated Text] Santiago, 17 Jul (NOTIMEX) — Mexico has spent 44 percent of the $50 billion credit package it negotiated with the United States and the international financial community, Mexican Finance Secretary Guillermo Ortiz reported here on 17 July.

The official said Mexico has used 44 percent of the financial package granted in late January, one month after a large current account deficit unleashed the recent economic difficulties in the country.

At the international meeting dubbed "Emerging Latin American Economies 2000: Growth and Development," Ortiz explained the problems Mexico is experiencing due to a financial crisis that exploded last December and what has been done to overcome difficulties.

Ortiz said in his speech his country has refinanced a large amount of its short-term foreign debt in the form of Tesobonos [Treasury Bonds], the maturity of which has represented 34 percent of those liabilities denominated in dollars.

At least two-thirds of the $30 billion Tesobonos debts as of December 1994 have been paid since then, and the balance is under $9 billion, he added.

Ortiz said Mexico's international reserves have grown in a sustained manner until reaching $14 billion in June, adding that Mexico has regained access to international capital markets.

The challenge Mexico is confronting now is to "restart a sustained growth accompanied by price stability and greater social justice," and its priority for the second semester of this year is to "achieve a gradual revival of its economy and the creation of jobs," he added.

Ortiz spoke before legislators of Argentina, Brazil, Chile, and Mexico who are participating in the meeting "Emerging Latin American Economies 2000: Growth and Development," which will close on 18 July after analyzing regional development strategies.

The 17 July session was also attended by Brazilian Planning Minister Jose Serra who discussed the evolution of the Brazilian economy in the past three decades.

Serra said demands have changed since the 1980's due to the crises of petroleum and international interest rates, and this led to the opening of the economy and reduction of state intervention.

Brazil must maintain its struggle against inflation, improve its balance of payments, deepen fiscal adjustments, face the "indexation culture," and conciliate the need for investments with the dangers of pressures over its balance of payments.

Former Secretary Aspe Reviews Exchange Policy

PA1807021695 Mexico City REFORMA in Spanish 14 Jul 95

[Article by Pedro Aspe, former Mexican finance and public credit secretary: "Mexico in 1994: Reasons for the Exchange Policy" — following received via Internet]

[FBIS Translated Text]

Introduction

I had the honor of being programming and budget secretary for 15 months in the government of President Miguel de la Madrid and finance and public credit secretary for six years in the government of President Carlos Salinas. I made many decisions during those more than seven years and promoted and participated in several far-reaching economic reforms. As with all government reforms, there are always several paths and ways to implement and study them; thus, criticism is contingent upon the work done by those of us who actively participated in this process.

After I ended my work as finance secretary on 30 November 1994, I decided to return to the university to teach and investigate, a task which would allow me to dedicate more time to my family and, at least partially, make up for the time I did not give them during my more than 15 years in public service.

During the past eight months, criticisms have appeared about what I did or failed to do as government secretary. The people's questions and criticisms have concentrated on two relatively concrete topics: The first pertains to the economic policy implemented in 1994, and the second deals with the last 10 days of my administration, specifically my actions as finance secretary in the now "famous" 20 November 1994 meeting at President Salinas' house.

On the first topic, I wrote a few pages on the assessment and results of the economic policy implemented during the January-November 1994 period, but after reading and rereading the official documents on the work done and the economic policy implemented in 1994, which the current administration prepared and presented to the Congress of the Union, I found that I largely agreed with them.

Indeed, I basically agreed with the documents the government presented to the legislative branch in the parts

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referring to 1994; that is: the 1994 assessment included in the General Guidelines for the 1995 Economic Policy and the reports on Public Finance and Public Debt for the Fourth Trimester of 1994, prepared and presented by the Finance Secretariat to the honorable Chamber of Deputies in February 1995. I specifically agree with the arguments, explanations, figures, and results reported by the Bank of Mexico on several issues, such as the current accounts deficit, the evolution of productivity and true wages, Tesobonos [Treasury Bonds], etc., in its two official publications: the assessment of the 1994 events in the document entitled "Information on the Monetary Policy for 1995" presented to the honorable Congress at the beginning of 1995 and the "1994 Annual Report" put forth by the Autonomous Central Bank in April 1995.

Thus, given that I agree with the diagnosis and conclusions of these official documents regarding what happened in 1994 and that I have nothing important to add, instead of publishing a "new explanation" of what happened that year, which would generate even more confusion even if that were not my goal, I gladly acknowledge them publicly.

As for the second polemic issue on which the public has focused attention—that is, my participation as finance secretary in the aforementioned 20 November 1994 meeting with President Salinas, President-elect Zedillo, and Dr. Jaime Serra Puche, Arsenio Farell, Governor Miguel Mancera, and Dr. Luis Tellez—the always anonymous criticism and "leaks" have aimed specifically at questioning my good judgment as finance secretary.

In fact, for example, a recent WALL STREET JOURNAL article entitled "Peso Surprise" presented wrong information about what happened at that meeting. In particular, it failed to make any mention about the reasons and arguments I presented against abruptly devaluating the peso or about the agreement that was reached by consensus at that meeting on the exchange strategy that would be followed in the days prior to the change in administration.

I first decided not to give much importance to this article, because it was one more in a series attempting to reconstruct what had happened at that meeting by presenting partial and inexact information and by quoting "high-ranking officials" who are not identified. Given that each one of these articles intensifies the polemic, above all, confusion, I decided to abandon my self-imposed silence of the past eight months. I am doing so, because I believe I have a political, professional, and, above all, moral duty with the public, my family, and myself to help counteract this campaign of disinformation affecting our country.

I first want to stress that the explanations I can give with authority and backed by facts cover exclusively up to 30 November 1994, the date when my responsibilities as finance secretary ended.

I would like to note that I am not moved by any personal interest and that I repudiate any confrontation that could foster division or violence among Mexicans. I identify with those who adhere to the truth, state of law, and strength of the government of the republic, because only in this way will we achieve the justice and prosperity the nation is demanding and deserves.

The 20 November 1994 Meeting

After the 20 November parade, we were summoned to meet with President Salinas, President-elect Zedillo, and the individuals I already mentioned. President Salinas opened the meeting by stating he wanted to openly discuss the various economic policy options in view of the financial turbulence of the past week.

Banxico's governor thoroughly reviewed the situation in the exchange market, noting that the parity had reached the ceiling of the foreign exchange range and adding that there were significant flights of capital during the week, which ended on Friday the 18th with the loss of international reserves for $1.65 billion. He clarified that in his opinion, the flights resulted from the political turbulence created by the statement by Mario Ruiz Massieu. In view of the situation, the governor stressed the need to act quickly, noting that should the flights of capital continue at the same level they occurred the previous Friday, the 18th, we would find ourselves in a few days with the minimum level of reserves the country should have, which, in his opinion, was $10 billion.

In light of this worrisome outlook, the advantages and disadvantages of carrying out "a small devaluation of 10 or 15 percent" were analyzed. The team reviewed the pros and cons. The opinions were divided among those who recommended its immediate implementation, its replacement by an option of immediate exchange floating, or its replacement by a restrictive monetary policy that would drastically increase interest rates and those who opposed the devaluation on the grounds that it meant the end of the pact and a return to inflation and the price-salary race. Given that no consensus was reached on the measures to be adopted, I intervened, presenting four points:

1. Regarding the origin of the capital flights, undoubtedly they were due in part to the statement by Mario Ruiz Massieu. In my opinion, however, another reason was the uncertainty normally associated with any change in administration. Finally, another cause was the "perception" (possibly erroneous) of the markets that the

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new administration was unwilling to assume the costs associated with protecting the foreign exchange range.

2. I recalled that the parity vis-a-vis the dollar during the Salinas administration was devalued more than 50 percent (which, incidentally, eliminates any possibility of linking me with the nondevaluation policy). I also recalled that this was done by increasing the depreciation rate for the ceiling of the foreign exchange range, which enabled us to adjust the exchange rate in accordance with the macroeconomic circumstances without producing a loss of capital in savings accounts or creating financial convulsions. I added, however, that we had never made an "abrupt" adjustment in the foreign exchange range, something which could have generated confusion and a lack of confidence. By gradually opening the foreign exchange range by increasing the ceiling depreciation rate, as we did, for example, by the end of 1992 without any financial problem, we gained flexibility in the exchange rate so that the exchange rate could freely fluctuate up or down within the range. In that manner, for example, in November 1993, two weeks before the U.S. Congress approved NAFTA, the exchange rate was devaluated more than 5 percent in only one day, then remarkably recovered (6 percent), and hit the bottom of the range a few days later with the imminent approval of NAFTA.

In the same manner, by expanding the range we were able to devaluate the exchange rate more than 8 percent during March following the murder of Luis Donaldo Colosio. In addition, the peso was devaluated 11 percent during the January-November 1994 period. In view of the continuity of the foreign exchange range and the strict compliance with the pact in the past few years, in my opinion there were no possibilities of implementing a "small" devaluation of 15 percent. By making this abrupt devaluation and dismissing the gradual increases in the range, the markets would have certainly led us to an additional devaluation in less than 24 hours and, what was worst, the loss of credibility and confidence.

3. Likewise, I stated before the group, and not, by the way, at some bilateral meeting, that any currency exchange decision that was adopted should be within the context of a global economic policy package and never as an isolated measure. Any other way would prompt a much greater financial tumult than the one there was an attempt to correct.

In light of what was mentioned previously, I said any exchange decision to be adopted by a government 10 days prior to ending its term in office should not be accompanied by a public announcement on an economic policy package, the reason why I, as the media correctly reported, was opposed to such a policy and believed such an option should be discarded. In other words, the combination of an abrupt devaluation of the upper exchange limit, which would ruin what had already been accomplished, together with the absence of an overall economic policy package to provide us with the needed "foundation" to handle the exchange decision would only cause a flight of capital much greater than the one we were attempting to control. We also ran the tremendous risk of losing all the country's international reserves and/or leaving an uncontrolled exchange rate for the new administration along with the subsequent loss of credibility and confidence from the public and investors.

In addition to the previous situation, which was reason enough to discard such an option, there was the dilemma that the public, in light of the imminent change in government, would perceive the abrupt devaluation as an exclusive measure by the departing administration, thus undermining whatever perception of credibility the markets would have toward the new administration's commitment to defend the new exchange rate.

4. Lastly, and in accordance with talks held with my colleagues, we recommended the following:

a) That President Ernesto Zedillo should summon all members of the pact that same night on 20 November and approve the continuation of the pact before the public.

b) In my opinion, that ratification could serve to prevent any further flights of capital as of Monday 21 November.

c) According to the work group, under the assumption that the markets would react positively to the decision to summon the pact members and that the speculative attacks of the previous Friday could have been halted, this would allow the new administration to present its economic policy proposal in a more suitable, economic climate.

If, on the contrary, President Zedillo's endorsement of the pact did not halt the 21 November speculative attack, the working group would have recommended it would meet again the afternoon of 21 November to decide what exchange option to follow in light of the need to support the minimum level of international reserves of $10 billion.

The proposal was discussed and endorsed by all participants immediately afterward. Thanks to President-elect Zedillo's decision to support the proposal to summon the members of the pact to his offices at the PRI [Institutional Revolutionary Party] headquarters at 2200 hours that same night, it was possible to endorse the pact with

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the presence of representatives from each sector, as well as before the national and international media.

The Development of the Foreign Exchange Market From 21 November to the End of the Administration

In view of the approval of the pact the previous night, the financial markets reacted favorably, and the speculative blow had completely halted by noon; thus, the foreign exchange rate started reappraising itself until exceeding the upper limit of the fluctuation range. At the end of the financial day, I shared the results with my colleagues, the ones with whom we had devised the strategy the previous day.

The following days until the end of the administration were relatively calm for the financial markets, the reason why the balance of the Banxico reserves by 30 November 1994 ($12.791 billion) was similar to the balance on 20 November ($12.791 billion). In fact, from 21-30 November, the exchange rate slightly appraised itself, exceeding the upper limit of the fluctuation band.

Final Comments

It is evident from the previous paragraphs that, as Banxico has correctly affirmed, the number of tragic political events that took place throughout 1994 had made not only the country's reserves but also the degree of flexibility of the economic policies diminish. As for the 20 November events, I have attempted to recount the story of how President-elect Zedillo's swift approval of the pact helped stabilize the markets during the last few days of the administration of President Salinas, thus showing a tangible example of coordination and collaboration between the two administrations.

As finance secretary during the 1988-1994 period, I had to make recommendations and decisions under the many circumstances that prevailed throughout the six-year presidential term. The explanation I just gave encompasses up to 30 November 1994 and deals with the sector under my turf; that is, the financial sector, the reason why other policies adopted at other times and under other circumstances do not qualify.

I recognize the serious complexity of the many political and economic events that occurred in 1994; therefore, I recognize how difficult it is to give a definite explanation of them. I hope, however, this explanation of one aspect of that complicated year helps us conduct an objective and fair analysis of the economic situation we lived for the sake of the Mexican people.

July 1995.

Roundup of Mexican Economic Developments

PA1707193995

[FBIS Editorial Report] The following is a compilation of reports on economic developments in Mexico monitored through 17 July.

According to a 12 July, Mexico City-datelined report, foreign investments in the Bolsa Mexican de Valores (BMV) dropped from $51.562 billion in December 1994 to $34.941 billion in June. This represents a decline of 37.04 percent. (Mexico City NOTIMEX in Spanish 0131 GMT 12 Jul 95)

According to a 12 July, Mexico City-datelined item, the Bank of Mexico is reporting that rates on Treasury Certificates (CETES) were mixed at the weekly auction. The yield on 28-day CETES was 42.97 percent, while the yield on 90-day CETES was 40.75 percent. Meanwhile, the rate for 182-day CETES was 41.52 percent. (Mexico City NOTIMEX in Spanish 0203 GMT 12 Jul 95)

Mexican Commerce and Industrial Development Secretary Herminio Blanco has announced an increase in tortilla prices, as well as increases in the price of a ton of corn and dough sold to millers. The price increases, which are intended to offset higher costs, prompted an increase in the projected inflation rate, lifting it to 42 percent. (Mexico City Radio Red Network in Spanish 0000 GMT 11 Jul 95)

According to a 12 July, Mexico City-datelined report, Mexican Petroleum (Pemex) paid the treasury 17.551 billion new pesos [N$] ($2.83 billion) in income taxes for the first quarter of 1995. This amount is N$3.823 billion ($616 million), or 27.84 percent, more than the taxes Pemex paid in the first quarter of 1994. (Mexico City NOTIMEX in Spanish 0122 GMT 12 Jul 95)

According to an 11 July, Mexico City-datelined item, Altos Hornos de Mexico (AHMSA) iron and steel works today placed 9.11 percent, or more than 11 million shares, of its shares on the Mexican, U.S., and British stock markets through the BMV, according to AHMSA's broker Inverlat. Through this operation, AHMSA will improve its liquidity and market competitiveness and meet minimum circulating currency requirements. Some 80 percent of the enterprise's modernization program, estimated at $725 million, has been completed. (Mexico City NOTIMEX in Spanish 2050 GMT 11 Jul 95)

Mexico City Finance Secretary Javier Beristain Iturbide has affirmed that no new municipal taxes are being considered for Mexico City residents for the rest of 1995. (Mexico City Radio Red Network in Spanish 0000 GMT 13 Jul 95)

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Guatemala

President Swears In New Foreign Minister Maldonado

PA1807025995 Panama City ACAN in Spanish 2057 GMT 17 Jul 95

[FBIS Translated Text] Guatemala City, 17 Jul (ACAN-EFE) — Today, Monday, Guatemalan President Ramiro De Leon Carpio swore in Alejandro Maldonado Aguirre as his new foreign minister, and instructed him to give priority to issues related to human rights and the peace efforts. Maldonado, former Guatemalan ambassador to Mexico, relieves Maritza Ruiz de Vielman who resigned as foreign minister last Friday.

After thanking Ruiz for her cooperation, the president denied that the change has been triggered by differences with the foreign minister and clarified that it was a political decision to give priority to peace aspects in the international community. De Leon asserted that during the six months that Maldonado Aguirre will head the foreign ministry, this office must also give priority to human rights issues.

Since 1991, the Guatemalan government and guerrilla have been negotiating an end to the civil war that started in 1960 and is the only one still ongoing in Central America. According to private humanitarian organizations, this civil war has cost more than 150,000 lives.

The president also denied that Ruiz resigned because of differences on the eventual transfer of the Guatemalan Embassy in Tel Aviv to Jerusalem and said relations between the Central American country and Israel were "excellent." He pointed out that his government had still not decided to transfer the diplomatic legation as had been announced in the latter part of 1994.

Panama

ARI Administrator Comments on Use of Reverted Areas

PA1707200095 Panama City LA PRENSA in Spanish 17 Jul 95 p 33A

[Report by Gisela Vergara S.]

[FBIS Translated Text] "Very specific" results in the development of the reverted areas should become apparent within the next five years, Interoceanic Region Authority [ARI] Administrator Nicolas Ardito Barletta has predicted. Meanwhile, he explained that this development will begin with port and tourism projects.

Ardito Barletta, who on Friday [14 July] signed a contract with the Nathan Associates consulting firm to draw up plans on the use of the reverted areas, said the greatest possible economic benefit from these properties will be evident over the next 10 years.

The studies on the use of the reverted areas will take 12-14 months to complete, and they will include a regional plan that reviews the potential and limits on the use of the lands, taking into account the environment, the Canal basin, and an adequate zoning plan for the areas to implement a marketing strategy.

The purpose of those plans is to maximize the reverted areas' contribution to the economy, maintaining a good urban structure and protecting the environment.

The ARI administrator said that, in order to put these areas to good use, the assistance of local and foreign investors and a solid economic policy, specifically one that includes the changes the government is currently implementing, are needed, as well as a good international image of Panama and an efficient administration in processing the investment requests.

"The important thing is to produce results, and to do that, in addition to the plans, we will begin some projects as soon as possible," he said. Meanwhile, he explained that tourism projects, including plans for hotels and cruises, are under way in Amador, as well as a major port development plan that includes the privatization of the existing ports and the construction of container ports as a complement to Canal activity.

Currently, Ardito Barletta stated, the National Port Authority is working in coordination with ARI to develop several projects of this nature.

The use of the ports and the tourism development of Amador, along with the installation of industrial parks such as the one being negotiated with Taiwan for Ft. Davis, are activities with the greatest potential in the reverted areas, he said, adding that the plans will identify other opportunities with similar potential.

He said another possibility consists of exploring the privatization of Gorgas Hospital, which can turn into a first-rate medical center where people from all across Latin America can go to have health problems treated, as was done 20 years ago.

The projects that are implemented in the reverted areas must generate exports, jobs, and the use of domestic raw materials in an effort to benefit the majority of Panamanians.

He explained that revenues from the sale or leasing of properties in the reverted areas will go into a national investment fund which will be used to support development and the nation's infrastructure. The majority of the areas that revert within the next five years will be turned

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over between 1997 and 1999, "therefore, the completion of these plans next year will give us the necessary information to assess proposals for the areas that will revert from 1997 to 1999," he said.

ARI's priorities in the months ahead, according to its administrator, are to put into action a number of plans, consolidate the advancement of several projects, and start a dynamic campaign at home and abroad to publicize those assets reverting to Panama. Aside from intensifying environmental protection programs, he announced that the problems of land seizures, as is the case in Arraijan, will be handled, adding that a program to sell houses that are currently leased will be put into place to generate funds to be used to build low-income housing.

Referring to proposals made by Panamanian businessmen and other groups on the use of the reverted areas, he said they are being evaluated and studied, and he said he felt that within the next 10 months some of them could come to fruition.

He noted that the proposals deal with topics ranging from the use of golf courses and gasoline reserve tanks for bunker fuel to the establishment of gasoline stations and activities of a commercial nature.

Noriega Thanks Jurors for Acquittal on Albrook Massacre

PA1807011495 Panama City EL SIGLO in Spanish 17 Jul 95 p 2

[Paid ad by Panama's General Manuel Noriega in Miami; date not given: "Thanks Panamanian People"]

[FBIS Translated Text] General Manuel Antonio Noriega thanks the trial jurors on his acquittal of the evil murder of nine comrades in arms who perhaps deserved punishment but certainly not death. In an open trial, with no interference or pressures, the jury found no accusatory evidence that might incriminate me in such a crime. I also thank the Panamanian people who have never abandoned me. For those wishing to express their solidarity and support for me, below is my Dade County post office box where you can send me your letters.

General Manuel Antonio Noriega

38699079

P.O. Box 979137

Miami, Fla. 33197

U.S.A.

Commentary on U.S. Struggle Against Drugs, Southern Command

PA1807023495 Panama City EL SIGLO in Spanish 17 Jul 95 p 4

[From the "Let the People Judge" column by Ricardo Lince]

[FBIS Translated Text] It seems North Americans have discovered that part of the indifference of some sectors to help authorities stop the smuggling of drugs into the United States is a revenge over that nation's interventionist policies in Panama and Latin America.

There is something to it, but that view must be rejected by civilized peoples who establish their relations on the principles of ethics, coexistence, and justice that cannot accept those primeval motivations. This new shift in the struggle strategy was included in the schedule for the continental conference on terrorism sponsored by the OAS to be held in Lima during the first half of 1996.

This change in the U.S. doctrine toward our Latin countries is expected to new give shape to the North-South relations, since every U.S. president from Monroe to the current one has given his name to the treatment that portrays those relations.

The new Clinton doctrine will be called struggle against terrorism, but deep down it is really a redraft to attack drug trafficking and money laundering. The disbandment of the Southern Command has a lot to do with that matter.

Washington wants to keep a main post in the eye of the storm, which it loses when the Southern Command moves to Florida State, and it will no longer rely directly on the Army to do the monitoring as a center of operations. One can make the observation that U.S. laws on the functioning of its Army ban it from using soldiers to chase drug traffickers. This is something different from the military defense of the nation.

If Washington adopts the view that terrorism in the form of money laundering and drug trafficking undermines U.S. security, it could justify the participation of its Army in that struggle. It will be then, however, when things are clearer and the bases have been turned over that the Panamanian people and government will adopt a stance regarding whether or not Panama should be the base of operations of that struggle against terrorism.

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Argentina

Menem Meets With Italy's Scalfaro; Relations Evaluated

PY1707171095 Buenos Aires TELAM in Spanish 1600 GMT 17 Jul 95

[FBIS Translated Excerpt] Buenos Aires, 17 Jul (TELAM) — Argentine President Carlos Menem and Italian President Oscar Luigi Scalfaro today evaluated bilateral relations and future actions to be carried out in order to strengthen the contacts between the two countries.

The Italian president was received by Menem and Argentine Foreign Minister Guido Di Tella in the White Room of Government House with the protocol that is used for the official visits of chiefs of state.

Scalfaro arrived in the White Room at 1040 in the company of Italian Foreign Minister Susana Agnelli, Italian Ambassador to Argentina Giuseppe Borga, and Luiggi Amaduzzi, diplomatic counselor of the Italian Embassy.

Vice Foreign Minister Fernando Petrella; Alberto Kohan, secretary general of the presidency; Mariano Cavagna Martinez, Argentine ambassador to Italy; and Andres Cisneros, coordination secretary of the Foreign Ministry, also participated in the meeting.

Menem and Scalfaro then went to the president's office, where the first working meeting of the two presidents took place within the context of the official visit that the Italian president is paying to Argentina.

Government sources reported that aspects linked to the international situation in general, and especially bilateral relations and the rapprochement between Mercosur [Common Market of the South] and the EU, were discussed during the meeting.

Scalfaro left Government House just before noon to visit the Supreme Court, where he met for one hour with its members. [passage omitted]

Economy Minister Confident Country To Meet Fiscal Targets

MS1707092195 London FINANCIAL TIMES in English 17 Jul 95 p 4

[Report on Interview with Argentina's Economy Minister Domingo Cavallo, by Ken Warn; place and date not given]

[FBIS Transcribed Text] Mr Domingo Cavallo, Argentina's economy minister, acknowledges difficulties with the country's level of tax receipts but is confident the country will meet this year's fiscal targets agreed with the International Monetary Fund.

"In terms of revenue we did not get what we wanted in the second quarter. We are confident of meeting our targets for the second half. But if the targets are not met we have given some thought to how to face this outcome," he said in an interview at the weekend.

The IMF earlier this year led a $7bn [billion] (4.4bn pounds) rescue package for Argentina in the wake of the liquidity crisis sparked by Mexico's devaluation last December. In exchange for loans the country agreed to cut spending and increase taxes with the aim of producing a $4.4bn budget surplus.

However, the second-quarter target was met only by delaying the wages of 300,000 public sector workers and bringing forward a wealth tax.

Mr Cavallo said he expected tax receipts to improve over the second half as the economy recovered and as second-quarter tax payments delayed by the liquidity crisis were made.

"However, if revenue does not come on as strongly as hoped then we won't generate the surplus predicted or accumulate as much in excess reserves as we had predicted." Even under the worst-case scenario in terms of revenue, however, "there is no risk of a lack of resources to meet all our obligations" he said.

Mr Cavallo rejected suggestions that Argentina renegotiate its targets with the IMF and did not think the markets would react negatively to a "small deviation" from the agreed figures.

He stuck to his forecast that GDP growth this year would be around 3 per cent, in contrast to many private forecasts of zero or negative growth, and said he expected growth of 5 per cent or more in 1996.

While growth could be zero for the second quarter, he expected a recovery in the second half as the credit markets normalised and interest rates came down. "Exports are also increasing very rapidly, up 47 per cent in the first five months of this year, and in June the trend was the same."

Demands from the unions and the church for action over unemployment have marked the first days of President Carlos Menem's second term of office, but Mr Cavallo said this would not force the government to change economic policy. "A change now would make the situation worse. The way ahead is rather to deepen reform, particularly in areas such as labour flexibility. By the end of the year I expect all our labour legislation changes to be in place," he said.

Mr Cavallo said a government advance of $70m [million] to the debt-ridden central province of Cordoba was

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not a bail-out. "This is exactly the amount withheld from Cordoba because it did not sign the fiscal pact (the revenue-sharing agreement between the central government and the provinces)." Cordoba's adherence to the pact, which must be approved by the provincial legislature, means "it will be committed to privatisation and deregulation", he said. "This is not a cause for concern but a cause for optimism."

Central Bank Chairman: Deposits Growth Surpasses Hopes

PY1707173795 Buenos Aires CLARIN in Spanish 16 Jul 95 Economic Supplement pp 6-7

[Interview with Central Bank Chairman Roque Fernandez by unidentified correspondent; place and date not given]

[FBIS Translated Text] [CLARIN] How many of the deposits that fled after the Mexican crisis have returned to the system?

[Fernandez] About 3 billion [currency not specified] have returned, and 2.5 billion, which represents one-third of the deposits that fled between December and May, returned between 15 May and 20 June alone. Deposits now are growing at an average rate of 0.3 percent per day.

[CLARIN] Are these figures meeting the government's hopes?

[Fernandez] They have surpassed our hopes, because these deposits returned after a little over a month (after President Carlos Menem's reelection), when we believed that the recuperation (of the deposits) would take as much time as it took for them to leave. The deposits that returned quickly involved small account holders, entrepreneurs, and some foreign investment. As for the rest, we will have to wait a little longer, because confidence is being restored abroad and this will ultimately prompt the return of the capital that fled.

[CLARIN] When will the level of deposits be restored?

[Fernandez] At the end of the year we should achieve the level that prevailed in November 1994.

[CLARIN] Aren't the deposits, especially those of small savings account holders, concentrating in the most powerful banks?

[Fernandez] That is not so. Actually there is widespread growth, because the people have largely returned to their traditional financial house. All the banks have grown. There are just a few corporations — and when I am talking about 'just a few,' I am talking about fewer than five — that may have some instability in their level of deposits.

[CLARIN] Why are some corporations still refusing to return deposits?

[Fernandez] We have some evidence, but they are just a few. We are talking about two or three that might still be in trouble. They are not compulsory actions, but the savings account holders are being asked not to withdraw their deposits because these corporations are attempting to quickly restore the situation to normal.

[CLARIN] Will there be any additional banks suspended?

[Fernandez] It is too early to say. There are corporations that are solvent but that have been significantly affected. The loss of confidence could therefore make the situation irreversible. We would attempt to transfer the block of shares to other corporations rather than applying a suspension.

[CLARIN] In your opinion, is the crisis over?

[Fernandez] Yes, it has been overcome. The banks have taken a very positive attitude. When we began to specifically review the loan portfolios presented by the banks for their rediscount applications, we were favorably surprised by the fact that their investment operations had been implemented quite well.

[CLARIN] Did the Mexican crisis speed up the bank adjustments?

[Fernandez] The banks were quite solvent, but solvency is not equivalent to effectiveness. The system still requires a significant adjustment because the "spread" (gap) between lending and borrowing rates is high.

[CLARIN] Could the bank merger process lead to a type of cannibalism?

[Fernandez] At one time I was concerned, because it was difficult to convince the most powerful banks to purchase or capitalize the less powerful banks. During the talks, however, I realized that it did not involve cannibalism, but fear. Seemingly harsh conditions were imposed, but the most powerful banks actually were very cautious with their funds. They saw what was happening to the other banks, and believed that if they used their funds to purchase banks, they would not have enough funds to face any possible problems. Everyone panicked here.

[CLARIN] Have you done any self-criticism? The Central Bank has been criticized because it was slow to react, and seemed to minimize the extent of the crisis...

[Fernandez] That is not so. It so happens that our work, or the decisions that we make, must remain unknown to the public, and so the people believe that nothing

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is being done. For example, if I report that I had conducted negotiations to sell a bank, and failed, I would actually be giving the impression that I cannot sell it, and that would sit very badly. I would therefore prefer the people to believe that I am not doing anything. During the crisis there were some international banks that could have helped in purchasing a loan portfolio or in facilitating loans if the credit cards would have met certain international standards. I could say that we were afraid under some circumstances. There were some banks on which we could have taken additional risks and we did not take them. And this delayed some solutions.

Commentator: Country 'Scapegoat' for 'Tequila Effect'

PY1707163495 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2251 GMT 14 Jul 95

[Special report for NOTICIAS ARGENTINAS by Pepe Eliaschev]

[FBIS Translated Excerpt] Buenos Aires, 14 Jul (NA) — The knotty economic situation that Argentina is currently facing stems from a process initiated in December 1994, which the ruling party prefers to attribute to circumstances that lie entirely outside Argentina. According to this view the Mexican crisis — which was rendered more tragic by the change of presidents, violent uproar, and peasant revolts in the southern region of that country — indirectly damaged Argentina, which was somehow made a kind of scapegoat for what came to be known as the "tequila effect." [passage omitted]

The Menem administration seems to have cloistered itself away, ignoring a pitiful situation. Unemployment has become the most serious and distressing national problem. And yet the incumbent administration has not put forward a relatively clear idea or plan to enable the public to know what will be done to alleviate the severe social impact of the Argentine crisis.

Within this vicious circle, in which the government is at a complete loss, the arguments that are advanced are totally inconsistent. Argentina is thus faced with the situation of a country that thinks it knows what is happening, but prescribes for its disease medicines that cause graver problems than the ones it has already suffered.

In consenting to a strict scheme for rescheduling Argentina's external debt, the Menem administration bound the Argentine state hand and foot by obliging it to generate enormous sums of money to service that debt. An anti-inflationary adjustment policy requires that the country should have a scrupulous fiscal balance, which is the key tool for staving off the issuance of money and consequently suppressing the possibility of an inflationary spiral. One absolutely essential condition is necessary to institute this scheme: There can be no fiscal balance without a massive increase in tax revenues, and in order for companies and taxpayers to pay their taxes, there must necessarily be a healthy economic activity.

Electoral promises in the run-up to the 14 May general elections forced the Menem administration to perform some pirouettes in order to attract votes. Cavallo had to endorse them and dress them up by providing a doctrinal argument, including an illusory "five-year plan" balanced on the still reminiscent reflections of the old Peronism, promising mythological bonanzas and an irresponsibly guaranteed prosperity.

After receiving 50 percent of the vote, Menem faced this winter a situation fairly similar to that of July 1989, when his promised "productive revolution" resulted in policies essentially different from those promised during that electoral campaign. Bank withdrawals have been drastically reducing the financial system's lending capacity since January, and the absence of loans has substantially affected productive activities that were gradually left without "fuel."

The tightening of loan sources hit the companies. Companies initially stopped soliciting overtime, then suspended workers, and finally began firing them. During this process, government revenues slumped. A hopelessly headstrong person, Cavallo asked Congress to approve a tremendous value added tax increase, and Congress approved it. The value added tax jumped from 18 to 21 percent. This increase caused an effect that has been at odds with projections. With higher taxes people stopped buying and, instead of increasing, collection slumped. Economists know very well that Argentina has been an open book with classic contents: Fiscal pressure chokes the real economy and, without a real economy, there is no fiscal bonanza possible.

An analysis of the consequences of the euphemistically labeled productive transformation is fairly conclusive: If we compare the first five months of 1995 with the same period (January-May) last year, we notice that labor demand in the industrial sector fell 54 percent, while labor demand nationwide fell about 37 percent. This clearly indicates that the current unemployment rate, totaling about 16 percent of the labor force nationwide, is clearly recessive.

Following this type of adjustment, the provinces suffered way before the federal government did, and plunged into abysmal pits. With their populations relying strongly on the public sector, delays in paying public servants' wages actually freeze the provincial economies. These provincial economies are deprived

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of fiscal revenues, making provincial treasuries poorer. This represents a boundless downward spiral. In a juncture that closely resembles a trap, the government is pinned down because the fiscal balances established in its agreements with the IMF require not only strong and sustained revenue increases (impossible to achieve during a recession), but sharp reductions in spending.

But the increasing unemployment actually demands investment and spending that cannot be delayed, because (as Minister Cavallo's team now has discovered again) market laws alone cannot effectively cope with such a serious social emergency as that involving the existence of 6 million people with unstable jobs. For example, a proposal for reducing the taxes paid by companies, encouraging them to offer jobs, would actually affect the Treasury, which requires these taxes, as indicated by the increase in the value added tax from 18 to 21 percent. To seal off one hole involves opening another, and this is incompatible with the targets that the Menem administration has agreed on with the IMF. [passage omitted]

The progressive feature of the fiscal discipline imposed by Menemism requires a capitalistic fiscal ethic that is much more considerable than any that has ever existed before in Argentina. But the fiscal orthodoxy of the Menem administration collides head- on with a backward economic method that neither guides nor suggests possible courses for our country. The Menem administration has become a sort of statue of salt that sheds bitter tears over the misfortunes imposed by international circumstances, but does not take a course of action in our country's tangible reality.

Recession Cuts Into Revenues, Poses Threat to Provinces

95SM0395A Buenos Aires CLARIN in Spanish 18 Jun 95 pp 2-7

[Article by Sergio Serrichio and Dario D'Atri, with reports from CLARIN correspondents in Cordoba, Mendoza, Santa Fe, Misiones, Tucuman, La Pampa, Santa Cruz, Neuquen, Rio Negro, Chaco, and Buenos Aires]

[FBIS Translated Text] The economic recession has cut into revenues, which poses a threat to the provinces. The national government is pressuring them into downsizing their payrolls and privatizing their banks and enterprises. Out of money and in debt, Eduardo Angeloz has announced that Cordoba will pay salaries in the form of bonds.

Coal workers in Santa Cruz signed a productivity agreement and pledged to produce 180,000 metric tons in four months. Miner Joaquin Contreras says: "We are not going to make it even by cheating. This is why when September comes, they are going to lower our wages, and the battle will be on." In Tucuman, 1,400 former employees of the privatized Directorate of Sanitary Works are demanding that the province comply with a law that obliges it to rehire them. In Cordoba, there has been a succession of work stoppages, rallies, and sit—ins.

From Ushuaia to La Quiaca the recession has translated into falling income, which has worsened the already delicate financial and fiscal situation of the provinces. Eduardo Angeloz has announced that he will pay salaries and pensions with bonds. Ramon Ortega has acknowledged that he does not want to lay off employees and thus condemn them to unemployment. Horacio Massaccesi has agreed to sell Rio Negro's shares in Alicura and El Chocon to raise funds, and Carlos Reutemann, who has admitted that revenues have fallen 20 percent over the past three months in Santa Fe, got a no answer from Cavallo to his request for financial aid.

There are several elements involved in the provinces' worsening problems:

- During the first three months of the year revenue-sharing funds were down six percent, a development that is being aggravated by the recession and the hike in the VAT [value-added tax] (the additional three percent is not being distributed to the provinces);
- The funds that the provinces collect for themselves have also fallen, and estimates are that they will take in a billion pesos less in 1995 than in 1994;
- The administration, Cavallo insists, will not be sending them one peso more than is due them under revenue-sharing. Furthermore, according to the Treasury's financial program, in June he will deduct 236 million that was advanced during the election campaign;
- It will be very hard to cut spending. More than half goes to wages, and if we consider that the transfers to municipalities are also earmarked for the payroll, we see that three of every four pesos of provincial spending go to personnel. The private sector's inability to absorb prospective layoffs of public servants can be seen from the following macroeconomic data cited by Nicolas Dujovne. From 1991 to 1994 unemployment rose in Greater Buenos Aires from 6.3 to 13.1 percent and in the rest of the country from 7.9 to 10.8 percent; but whereas the number of jobs in Greater Buenos Aires rose, there was a net loss of jobs in the interior.

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Map of the Country

The crisis has a different look in each province. In Neuquen, with the completion of major hydroelectric projects, employment in the construction industry fell from 10,000 to 5,000 jobs. The same applies to the fruit pickers union, owing to the use of new technologies that are less labor-intensive. Although Governor Jorge Sobisch's province does not have major budget deficit problems, the opposition wonders what is going to happen in 1997 when the 741 million it has received from oil royalties and used to fill budget gaps runs out.

In Chaco, which has already privatized its provincial bank, the monthly revenue-sharing of 36 million pesos does not suffice to pay the salaries of 40,000 public workers, while the government is carrying a debt that, according to sources, ranges from 600 million to a billion pesos. In spite of a record cotton harvest, the outlook is far from encouraging: every day small companies and stores are closing their doors; strikes of government workers are spreading, and pensions are paid two months late. In July, when the cotton harvest is over, the crisis will extend to the people who are now working in the fields.

Far from the wilds of Chaco, the Economy Ministry is pushing the provinces to cut back their "oversized" payrolls and privatize provincial banks and public enterprises.

But cutting back on public employment would worsen joblessness, at least in the immediate future. According to data from the Institute for Industrial Development of the UIA [Argentine Industrial Union], the indices of the "economically active population with labor problems" in the provinces are two and three times the unemployment levels. These figures, which appear below, stem from a combination of indicators that measure per capita income, unemployment, the population whose basic needs are going unmet, the proportion of rural population, and the size of the public payroll, which at a certain point becomes covert joblessness.

Cordoba Using Bonds

Cordoba's fiscal problem exploded in late 1994, when the "tequila effect" left the official banks without funds to meet Treasury needs. From 1990 to 1994 Cordoba grew 30 percent, but government spending rose 65 percent.

Until that time the Cordoba and Social banks, which are now open to privatization, financed the growing budget deficit. But the province's debt liabilities (salaries, social benefits, suppliers, financial obligations) continued to climb and today stand at 525 million pesos, Governor Angeloz has acknowledged. If we add in mid-and long-term obligations, the debt approaches 1 billion pesos.

Out on the street, the standstill in public works has hurt construction; output in the metalworking industry fell with the shrinkage of car sales, and sales in retail stores dropped 40 percent over the first four months. According to Labor Minister Jorge Sappia, from January to May his ministry recorded 930 terminations and 15,893 layoffs, compared to 523 and 1,974 during the same period last year.

Privatizing

Domingo Cavallo's push for privatization led to a clash with Eduardo Duhalde, who upon hearing the minister's suggestion about privatizing the Banco Provincia de Buenos Aires, stated that that "was not part of the plans." Although the provincial banks are far from being cure-alls (between December and March they lost 14.9 percent of their deposits), the governors are not keen on the idea of letting go of banks that besides helping them fill financial gaps still do some lending to local production sectors.

The Buenos Aires government does not plan to privatize the energy enterprise (ESEBA) "until we can guarantee that the sale of the enterprise will lead to a major cut in rates," stated Deputy Governor Rafael Roma. Meanwhile, the sale of Sanitary Works (OSBA) is still in its early stages.

But although it did not go along with the privatizing bandwagon, a 250 million peso shortfall due to shrinking tax revenues prompted the Duhalde administration to cut spending through measures such as amending the government workers statute and reining in purchases.

In Santa Fe, the management of Sanitary Works (DIPOS) is in the process of privatizing it, and the sale of the Banco Provincial and the energy company (EPE) and the transfer of the pension fund, which is running an 80 million a year deficit, are awaiting approval in the legislature.

Tensions are running highest in the industrial district of Greater Rosario, where metalworking enterprises have already resorted to layoffs and dismissals and, in some cases, could not avoid closing down.

After Cavallo refused Carlos Reutemann's request for funds, Santa Fe's finance minister, Juan Carlos Mercier, admitted to CLARIN that "three hard months are in the offing; payment of wages will be prioritized, and contracts that do not have special financing will be reviewed and rescinded."

The governor of Tucuman, Ramon Ortega, ran a 12 million peso deficit in May in the area of privatization,

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but Cavallo promised to advance him 45 million pesos to pay salaries and pensions that have been past due since May, against the sale of the province's Electricity Distribution Enterprise. The province owes 40 million pesos in wage differentials, not counting the debts for failing to observe the agreements with personnel in sanitary works, roads, and health care. To make matters worse, provincial revenues fell 17 percent in April and May, according to the province's Income Directorate. Thus, the harsh effect of rising debts and falling revenues heightened Ortega's yen to privatize, and he undertook three major projects: the transfer (now completed) of the drinking water and sewerage services, the aforementioned sale of 51 percent of the electric power company, and the sale of 60 percent of the shares in the Banco Provincial.

The production sector has not helped to alleviate Tucuman's hard times. According to data from the Department of Economic Sciences of Tucuman University, in 1992 and 1993 the province's gross output fell 3.2 and 2.1 percent, respectively. The sugar harvest helped out; in 1994 sugar production was up 14 percent, and a similar jump is expected this year to 1.25 million tons, which is enough to meet domestic demand.

South of the Colorado, the deficit in Rio Negro is around 8 million pesos a month, 57 percent of which is earmarked for wages. According to Remo Costanza, the Justicialist candidate who lost the last election to Pablo Verani of the UCR [Radical Civic Union], the provincial debt stands at 300 million: 60 million in back pay, 240 million owed to financial institutions, 30 million to suppliers and contractors, and a similar amount in contributions to the retirement funds. Pressed by urgent financial needs, Governor Massaccesi is moving forward with the privatization of the provincial bank (sale of 57 percent), and the sale of the energy (ERSE) and water (DPA) enterprises, which were included in the referendum in which the people of Rio Negro said "no" to privatization. These are being considered as a way of bringing funds into provincial coffers.

Since the Rio Negro government is the leading employer (it provides jobs for 35,000 workers), the delay in paying wages had a heavy impact on stores, as 40 percent of them closed in some cities in the upper valley. Higher exports of pears (10 percent) and apples (yields were up as much as 60 percent) were the good news, although the situation among truck farmers remains precarious and fruit growing employs fewer and fewer people: of the 13,000 workers it engaged during boom times, just slightly over 5,000 now remain.

In Misiones, after a controversial vote recount, Justicialist Governor Ramon Puerta will succeed himself in December. Puerta says that his proposal was "voted on in a plebiscite" on 14 May and intends to move forward with the sale of the water, sanitary works, electric power, and insurance enterprises, in addition to Papel Misionero, from which he expects to make 150 million pesos.

At present the provincial deficit stands at 4 million pesos a month, out of a 700 million peso budget, and this has prompted the executive branch to cut wages above 2,000 pesos by 15 percent and to propose privatizing the provincial bank 100 percent. The main problem is that over the next 90 days the government will have to cope with 80 million pesos in maturing debts.

In the highlands, Mendoza, whose budget is almost in balance, is enmeshed in a debate about which public enterprises ought to be privatized. While Mendoza's official and Social Security banks are already in the process of being sold and are waiting for 270 million in promised aid from the Trust Fund, the government has reportedly already decided not to give up control of Mendoza Energy, which is running a surplus, but will sell off Sanitary Works.

Above and beyond this debate, the influential Commercial and Industrial Union of Mendoza (UCIM) has called for cuts in taxes and utility rates, lower public spending, and the declaration of an economic emergency. According to the union's president, Raul Meilan Salgado, "in recent times 20 percent of companies have called for a creditors' meeting to avoid bankruptcy."

Now that the presidential elections are over, the national government has placed what it regards as a functional requirement for the Convertibility Plan among the main items on its agenda: to get the provinces back on their feet so that they can balance their accounts by privatizing public banks and enterprises and streamlining payrolls.

Cordoba

- Economically active population with labor problems, 15.5 percent - Civil servants, 82,513 - Budget deficit, 225.1 million pesos - Provincial revenues as a percentage of total, 47.7 - Personnel expenditures, 52 percent (not counting municipal employees)

- The government has announced that it will pay suppliers and contractors with bonds. The province's short-term debt stands at 525 million, while the long-term debt stands at 500 million.
- There are delays of one and two-months in the payment of salaries, three pay periods of municipal coparticipation debts, and unpaid Pension Fund deductions since March.

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Santa Fe

- Economically active population with labor problems, 21.5 percent - Civil servants, 80,258 - Budget deficit, 208 million pesos - Provincial revenues as a percentage of total, 44.8 - Personnel expenditures, 52 percent (not counting municipal employees)

- The government has acknowledged a 20 percent drop in tax revenues over the past three months, a result of the slowdown in production and consumption.
- Sanitary Works is in the process of being privatized, and the bills to sell off the Banco de Santa Fe, the Energy Enterprise, and the Retirement and Pension Fund are awaiting passage in the legislature.

Neuquen

- Economically active population with labor problems, 27.7 percent - Civil servants, 28,649 - Budget deficit, 102.9 million pesos - Provincial revenues as a percentage of total, 31.5 - Personnel expenditures, 50 percent (not counting municipal employees)

- The government says that it has retrenched and, therefore, refuses to sell off the provincial bank, the power company, and the drinking water enterprise.
- Neuquen is running a monthly deficit of 15 million pesos, which it is covering with the 741 million that it received in 1993 as payment for improperly adjusted royalties.
- Commerce (owing to the drop in consumption) and construction (due to the completion of major public works) are the two sectors that have been hardest hit by the crisis.

Misiones

- Economically active population with labor problems, 29.8 percent - Civil servants, 32,137 - Budget deficit, 4.6 million pesos - Provincial revenues as a percentage of total, 17.6 - Personnel expenditures, 54 percent (not counting municipal employees)

- It is running a monthly deficit of 5 million pesos and has a short-term debt of 80 million, against a budget of 700 million.
- As a result of cutbacks by the national government, salaries over 2,000 pesos were lowered 15 percent in Misiones.
- Replacement teachers were cut to save 2 million a month.

Tucuman

- Economically active population with labor problems, 31.1 percent - Civil servants, 42,344 - Budget deficit, 129.4 million pesos - Provincial revenues as a percentage of total, 23.6 - Personnel expenditures, 54 percent (not counting municipal employees)

- Palito Ortega told the candidates to succeed him that Tucuman ran a deficit of 12 million pesos in May, while revenues fell 1.7 percent that month.
- It has just privatized the water and sewage services and expects to transfer to private hands 51 percent of the shares in the Electricity Distribution Enterprise and 60 percent of the shares in the Banco de Tucuman.

Mendoza

- Economically active population with labor problems, 15.5 percent - Civil servants, 46,131 - Budget deficit, 70.7 million pesos - Provincial revenues as a percentage of total, 41.4 - Personnel expenditures, 51 percent (not counting municipal employees)

- The projected budget deficit for 1995 is 85 million pesos. According to the Mediterranean Foundation, the public debt stands at 800 million.
- Among the enterprises to be privatized are the Banco de Mendoza, the Banco de Prevision Social, and Sanitary Works. The Mendoza Energy Enterprise is running a surplus, and there are no official plans to transfer it to private hands.

Buenos Aires

- Economically active population with labor problems, 13.4 percent - Civil servants, 287,855 - Budget deficit, 114.8 million pesos - Provincial revenues as a percentage of total, 53.9 - Personnel expenditures, 49 percent (not counting municipal employees)

- The budget, which has been in balance until now, is 250 million pesos in the red owing to a drop in revenues.
- Despite Minister Domingo Cavallo's statements, Eduardo Duhalde emphatically denied that there are plans to privatize the Banco Provincia. Meanwhile, the process of privatizing Sanitary Works is just beginning.

Santa Cruz

- Economically active population with labor problems, 20.3 percent - Civil servants, 13,635 - Budget deficit, - 18.9 million pesos - Provincial revenues as a percentage

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of total, 23.7 - Personnel expenditures, 45 percent (not counting municipal employees)

- Salary payments on time.
- No deficit.
- Pension Fund in the red (2.4 million a month).
- Forty-five percent drop in sales of durable and semidurable goods over the first five months.
- More than 50 million pesos in irregular business debts to the provincial bank.

Rio Negro

- Economically active population with labor problems, 19.8 percent - Civil servants, 29,233 - Budget deficit, 130 million pesos - Provincial revenues as a percentage of total, 33.5 - Personnel expenditures, 59 percent (not counting municipal employees)

- The monthly deficit is about 8 million pesos. According to sources in the opposition Justicialist Party, Rio Negro owes 60 million in salaries, 240 million to financial institutions, and a similar amount in contributions to the Pension Fund and to the provincial social benefits fund.
- Fifty-seven percent of the Banco de Rio Negro will be privatized, and Massaccesi is negotiating the sale of the energy company and the drinking water and irrigation enterprise.

Chaco

- Economically active population with labor problems, 24.8 percent - Civil servants, 37,903 - Budget deficit, 85 million pesos - Provincial revenues as a percentage of total, 12 - Personnel expenditures, 59 percent (not counting municipal employees)

- The provincial bank was sold to the Patricios, Integrado Departmental, and Ahorristas del Chaco S.A. banks. The energy and sanitary works enterprises and ECOM are on the privatization list. The province has a heavy public debt.
- Retirees and pensioners are being paid two months late, and the social benefits fund is in serious crisis and subject to major restrictions.

[Box, p 2]

The Emergency in Numbers

First, the numbers: In 1994 the provinces spent roughly 28 billion pesos, took in revenues of 27 billion, and thus posted a deficit of 1 billion. Why should the financial and fiscal crisis that they are facing be more pressing this time than the ones that have arisen year after year, only to peter out as the months passed? The main reason is that in 1995 the provinces will not receive the special revenues that they did in previous years.

These revenues were substantial. As economist Nicolas Dujovne notes, they totaled 936 million pesos in 1992, 2.99 billion in 1993, and 1.736 billion in 1994; they took the form of bonds to "pay hydrocarbons royalties" and for "financial housecleaning," "debt recognition" bonds, and "loans from the national administration." On top of this the provinces had capital revenues (privatizations, the sale of provincial shareholdings) and borrowed increasingly from the private financial system. All in all, it came to 5.019 billion pesos in 1994.

Amid the give and take, the provinces also handed over funds. Oscar Cetrangolo and Juan Pablo Jimenez, economists at the Studies Center for Structural Change (CECE), calculated the net impact of the changes in the revenue-sharing system between the federal government and the provinces. The result was that the provinces gave up 4.441 billion pesos, 28 percent of what they would have gotten if the law had not been amended. The losses were distributed very unequally among the provinces. The ones that handed over proportionally less funding were Buenos Aires, the Patagonian provinces, La Pampa, and La Rioja.

The bias of the current system will persist this year and next (under the new Constitution, the future system must be agreed upon before the end of 1996, thus taking effect in 1997), regardless of the amount of revenues that the federal government collects. To the drop in the tax revenues that the federal government remits to them (5.9 percent in the first quarter) the provinces will have to add the fall in their own revenues, which according to the most conservative estimates will be roughly 1 billion pesos. Lastly, to anticipate what may happen over the coming months, we also have to take a look at the three sources from which the provinces sucked up those additional 5.019 billion pesos in 1994.

- Capital earnings. These ought to be the answer, the Economy Ministry thinks. To "persuade" the governors to privatize provincial banks and enterprises, Cavallo offers them two "incentives": the Trust Fund for restructuring the provincial banks, and IDB [Inter-American Development Bank] and World Bank loans to "lubricate" the privatization of water and power enterprises. The total will be some 3 billion pesos over the coming years. Necessity forced Massaccesi, for example, to announce the sale of Rio Negro's shares in the Alicura and El Chocon dams and Cordoba to undertake the privatization of the Banco Social.
- National bonds plus borrowing from the private financial system. This window has practically been

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closed. The government's agreement with the IMF set a limit of 600 million pesos in 1995 on the government's debt recognition bonds for the provinces and prohibited the provinces from using revenue-sharing funds as collateral for loans from private banks.

- Treasury contributions. They flow through the Interior Ministry and are the object of tough battles. Amid the din of infighting in the administration, a few days ago Cavallo himself denounced the pressure that the provinces are exerting through the Interior Ministry.

The fact is that the Treasury's contributions are an indispensable component of the mix. Just as under the current revenue-sharing arrangement, here too there are winners and losers. In 1994, La Rioja was the biggest beneficiary, receiving 180.3 million pesos (more than 10 percent of the total), followed by Buenos Aires (147.2 million), Santa Cruz (84.3 million), Tierra del Fuego (84.2 million), Corrientes (80.4 million), and Salta (80.1 million).

With the bond and loan window almost closed and the privatizations barely in their initial stage, the distribution of funds will be the focus of discussions between the administration and the provinces and among the provinces themselves. "When the (new) revenue-sharing law is debated, we are going to ask that the contributions to the Greater Urban Area Fund, if they are still necessary, be taken from the portion that goes to the federal government," stated the governor of La Pampa, Ruben Marin. Along the same lines, the Neuquen government is of the opinion that the Greater Urban Area Fund "violates the principle of equity." Moreover, the people of Neuquen feel wronged for two reasons: 1) the province's population has been one of the fastest growing, and the distribution indices per number of inhabitants have not been updated for some time now, and 2) in 1988 they gave up their long-time index, thinking that the hydrocarbons royalties would compensate.

Bolivia

Drug Enforcement, Coca Eradication Programs Viewed

Defense Minister on U.S. Advisers

PY1407232295 La Paz HOY in Spanish 5 Jul 95 p 4

[FBIS Translated Text] Bolivian Defense Minister Raul Tovar Pierola confirmed on 4 July the imminent arrival of 58 members of the U.S. military who will advise their Bolivian counterparts in the area of drug enforcement.

Minister Tovar Pierola also announced that a high-ranking Chinese Armed Forces mission will come to Bolivia to offer vehicles for the Bolivian Armed Forces.

The minister explained that the U.S. advisers are scheduled to arrive in August, and that this is a normal civic action assignment within the framework of bilateral cooperation.

The U.S. military advisers will be coming at the express request of President Gonzalo Sanchez de Lozada, who asked the Bolivian Congress to authorize the mission on 27 June.

If the legislative branch grants its approval (as it is expected to), 13 U.S. Navy experts will come to Bolivia to train their Bolivian counterparts for drug enforcement in Puerto Villarroel, Cochabamba Department, and in Tiquina, La Paz Department.

The other group is made up of 45 U.S. Army military experts who will participate in a humanitarian project together with Bolivian Army troops in Villamontes, Tarija Department.

PRC Military

The high-ranking Chinese Armed Forces mission will arrive on 10 July to sign an agreement for the improvement of the Bolivian Armed Forces' pool of vehicles. Tovar Pierola did not specify the number of visitors included in the mission, but he did say that "there will be quite a few."

The Chinese military men will sign a soft interest-free loan for $2 million payable over 12 years with a grace period of six years.

According to the defense minister this is the first visit by a Chinese military delegation to Bolivia.

"We will be honored to receive them," the minister said, adding that the Chinese delegation is returning a visit that the joint chief of staff, General Jose Perez Reyes Ortiz, paid to China some time ago.

Sanchez Warns Coca Growers

PY1407151095 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 14 Jul 95

[By correspondent Jorge Jimenez]

[FBIS Translated Text] Planting of coca has been forbidden in the Chapare or other zones established by Law 1008. Not one centimeter of new coca crops will be allowed. Otherwise, the law will be imposed with all its force. This ultimatum has been released by President Gonzalo Sanchez de Lozada, who categorically stated

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that the ecological police and Umopar [Mobile Police Units for Rural Areas] will intervene when this happens.

[Begin Sanchez de Lozada recording] We are struggling for voluntary eradication. We do not want forcible eradication, because we believe that it can undermine our fragile social peace. Besides, Bolivia, its current problems notwithstanding, is a country of social peace and tranquillity. There are no levels of violence or guerrilla activity in the country, and we want to keep it that way. But what is important to note — when referring to the eradication program — is that the people who eradicate a hectare of their coca crops and receive $2,500 in exchange cannot replant coca the following day. We are not going to allow this because we have been criticized for it, and for that reason we have lost credibility. [end recording]

If any peasant from the Chapare has accepted and received the compensation money, he will not be allowed to engage in the same activity, either on the land where eradication was carried out or elsewhere.

President Sanchez de Lozada also admitted the fact that the alternative development program has not been easy because errors in its implementation have been repeated year after year. He added, however, that without the active participation of the people from the Chapare region, any project to replace the coca economy will surely fail.

During his contact with the press, the Bolivian president was also consulted about the possible extension of the state of siege, and, according to what he said, everything leads us to believe that this exceptional measure will not be extended for another three-month period.

[Begin Sanchez de Lozada recording] There is no resolution on the matter. I understand that the state of siege will automatically end on 17 or 18 July, according to the Constitution, because no measure against its ending has been adopted. [end recording]

The state of siege, which was implemented on 18 April 1995, with a violent interruption of a COB [Bolivian Labor Federation] meeting, prompted the banishment of more than 300 people, and has deterred any attempted coercive measure by the COB.

Coca Producers To Protest

PY1707132195 La Paz LA RAZON in Spanish
4 Jul 95 p A14

[FBIS Translated Text] Cochabamba, 3 Jul (LA RAZON) — Coca growers federation leader Evo Morales has reported that the emergency plenum of the five federations of coca producers held in Sinahota, with the participation of 500 peasant delegates, has decided unanimously to suspend the voluntary eradication of coca crops until the government proves the profitability of the alternative development programs.

The Chapare coca producers have ratified their decision to stage a protest march to the city of Cochabamba on 19 July, and rejected the militarization and forceful eradication of coca crops, demanding the implementation of alternative development plans with the people's participation, the revision of the extradition treaty, and solidarity with the peasants who live in the Isiboro Secure Park, he said.

"If the government insists on evicting peasants from the Isiboro Secure Park, the coca producers of the five federations of the tropical region will march to this region to resist the attacks by the repressive forces, which during the past few days have mobilized military and police troops and civilian agents who in the name of drug enforcement have created anxiety and panic," he said.

He added that peasants who live in the Isiboro Secure Park will rally on 8 July to outline a "resistance" strategy against the eviction attempts and to reject the eradication of coca crops.

Evo Morales said that representatives of peasants organizations have reported that approximately 2,200 hectares of coca crops have been eradicated in the Chapare, thus fulfilling a commitment with the country and avoiding a possible decertification.

He added that "many peasants who have agreed to a voluntary eradication of their coca crops have to this date not yet received the payment of $2,500 per eradicated hectare, thus representing non-fulfillment of agreements."

He said: "The plenum held in Sinahota asked President Gonzalo Sanchez de Lozada for the dismissal of Government Minister Carlos Sanchez Berzain, as he is a negative element who distorts the real national situation and puts the country in a position submissive to the U.S. Embassy." The Chapare coca producers rejected the extradition treaty signed recently with the U.S. Administration, as it violates national dignity and security. "If Congress does not amend this treaty, the peasants might adopt measures of rejection," Morales said.

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Brazil

Poll: Administrative Reform To Meet Congressional Resistance

95SM0421B Sao Paulo FOLHA DE SAO PAULO in Portuguese 22 Jun 95 pp 1, 10

[Article by Fernando Canzian: "Congress Resists Changing the Civil Service"]

[FBIS Translated Text] The administrative reform may yet meet with greater resistance in Congress. At least that was the finding of a survey of deputies and senators by the DIAP (Interunion Department for Legislative Advisory Services). On none of the points that might be included in the reform would the administration obtain the three-fifths (60 percent) of the votes needed to change civil service rules.

On the contrary—the disinclination to change is widespread, the reverse of the situation that prevailed in votes on the economic order.

According to the poll, only 13.5 percent of deputies and 11.9 percent of senators favor abolishing civil servant tenure. Those opposed total 38.5 percent in the Chamber and 40.7 percent in the Senate.

As to reducing salaries of civil servants and military personnel, 78.2 percent of the deputies and 94.9 percent of senators are against it. With regard to retirement at full pay, 49 percent of the deputies and 40.7 percent of senators told pollsters that this employee right should be preserved.

Federal Deputy Jorge Maluly Neto (PFL) [Liberal Front Party] of Sao Paulo, coordinator of his party's delegation from Sao Paulo, said that the corporatism exhibited by the government employees "is not aimed at defending privileges, but at improving salaries and working conditions." Maluly Neto said the civil servants are being "massacred."

The deputy said that by the time the administrative reform comes to a vote, which could happen in the second half of the year, the PFL will probably have rounded up as many as 100 legislators to oppose the changes in the current rules.

The DIAP survey contacted 408 deputies and 59 senators, or 79.5 percent and 72.8 percent, respectively, of the Chamber and Senate.

According to the survey, 62 percent of the deputies and 69.5 percent of the senators advocate maintenance of salary "isonomy" (pay increases on the same date, using the same index) for government employees.

Significance of Concessions Law Viewed

95SM0421D Sao Paulo GAZETA MERCANTIL in Portuguese 29 Jun 95 p A-9

[Commentary by Brasilia correspondent Eliane Cantanhede: "Concessions Law Undergoes Pressure Up to Last Minute"]

[FBIS Translated Text] Liberals and leftists agree on at least one thing: the public utilities law is one of the most important measures being considered by Congress. "More than the breakup of the monopolies, since it stipulates criteria for partnerships, contracts, and oversight," was the opinion expressed by Sao Paulo Deputy Jose Genoino (PT). "And even more than the petroleum amendment, because it has much more immediate effects on the economy," added Deputy Lima Neto (PFL-Rio de Janeiro), himself the rapporteur for the petroleum amendment.

One of the practical effects of the new law is to permit partnerships with private enterprise to complete 17 unfinished hydroelectric plants. According to official calculations, about $300 million is wasted each year on maintaining those construction sites.

The importance of the law can also be measured by the direct involvement of the state energy secretaries in its final formatting. David Zylbersztajn of Sao Paulo, for example, spent recent days glued to the telephone talking to Brasilia, especially to rapporteur Jose Carlos Aleluia and PSDB [Brazilian Social Democracy Party] leader in the Chamber Jose Anibal. Firmino Sampaio, of COELBA [Bahia State Electric Power Company], and Hugo Henrique Hubert, of COPEL [Para Power Company] were not far behind in their own efforts.

As coordinator of the secretaries' forum, Zylbersztajn sought two new advantages for the states: (1) authorization for them to restructure their companies; (2) a provision stating that the federal government could charge bonuses only on new concessions and not on contract extensions. He also wanted the independent producers (figures created by the law) to be required, as the state utility companies are, to pay the global reversion reserve, which goes into the Eletrobras [Brazilian Electric Power Company, Inc.] investments fund, and the fuel assessment (CCC), which is used to cover operating deficits incurred by the thermal power plants.

As Aleluia explained to the secretaries, the bill does not allow for amendments once it has been approved by the special joint committee of Congress. The only changes that could be made would be to delete (but not add) wording, and each change would require a separate vote by the plenary.

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"Thanks to the bylaws, I did not have to heed any more demands from the states. Otherwise I could never have resisted the pressure," Aleluia admitted.

Law Restricted to Electricity, Transportation

95SM0421C Sao Paulo GAZETA MERCANTIL in Portuguese 29 Jun 95 p A-1

[Article: "Telecommunications Excluded From Concessions Law"]

[FBIS Translated Text] The administration yielded to a major demand by the PDT [Democratic Labor Party] and PT [Workers Party] in order to win passage of the new public utilities law: it deleted almost the entire telecommunications field from the text, thus restricting it virtually exclusively to electricity and transportation. As for telecommunications, the entire timetable the administration had in mind has been postponed until the specific regulations, in the form of ordinary law, are voted on sometime after August.

The concessions law was passed yesterday evening by the Chamber. The vote was 259 to 65, with four abstentions. The Senate vote was by acclamation.

Removal of the telecommunications sector was negotiated directly with President Fernando Henrique Cardoso, Planning Minister Jorge Serra, and Communications Minister Sergio Motta, in time to permit the law to be used in seeking bids on Escelsa [Espiritu Santo Power Plants, Inc.]. The night before, rapporteur Jose Carlos Aleluia (PFL) [Liberal Front Party], Bahia, had acknowledged, in talking about the pressure from the states, that it was better to "lose the rings but keep the fingers." Yesterday, the administration came very close to handing over the fingers.

"The important thing is to get the law passed," said Germano Rigotto, the administration's leader in the Congress, after talking with Serra by phone. That was the signal that exclusion of telecommunications was a price the administration was willing to pay to ensure passage of the new law. "They are accepting it," the chief coordinator of the change, PDT leader Miro Teixeira (Rio de Janeiro), was already announcing by late afternoon.

Deletion of telecommunications also had massive support from the PT. As Deputy Fernando Ferro (Pernambuco) explained, the intention was to "prevent the immediate opening of privatization season in the sector," thus ensuring that any changes in telephones and services in general would have to wait for approval of the ordinary law containing the implementing regulations.

The PT wanted, but did not get, another change in Rapporteur Aleluia's text as approved by the special joint committee of Congress last week: complete deletion of Article 21, which makes official "those consortia with private enterprise that have already been formed or are in the process of being formed." The PT believes that article seeks to legalize the consortia of the hydroelectric plants at Ita (Santa Catarina), Igarapava (Minas Gerais), and Serra da Mesa (Goias). The Ita project is being investigated by the National Accounting Office for irregularities in the bidding process.

Despite losing the telecommunications sector, the law is still very significant: "More than the breakup of the monopolies, since it stipulates criteria for partnerships, contracts, and oversight," was the opinion expressed by Sao Paulo Deputy Jose Genoino (PT). "And even more than the petroleum amendment, because it has more immediate effects on the economy," added Deputy Lima Neto (PFL-Rio de Janeiro), the rapporteur for that amendment.

According to the approved text, state electric utilities will retain their rights for 20 years beyond the end of their contracts. In return, the federal government made important progress by winning approval for: the entry of independent electricity producers into the market; the possibility of corporate mergers and spinoffs, thus facilitating partial privatizations; and clear rules to encourage private partners.

Government Considers Next Congressional Term 'Decisive'

PY1707164595 Sao Paulo AGENCIA ESTADO in Portuguese 1933 GMT 14 Jul 95

[Report by Marcos Magalhaes]

[FBIS Translated Text] Brasilia, 14 Jul (AE) — The government considers decisive the upcoming congressional term, which will begin in two weeks' time. The successful approval of the constitutional amendments and their regulating bills is currently considered by Planalto Palace to be essential in order to comply with the campaign promises made last year.

President Fernando Henrique Cardoso has himself informed influential pro-government congressmen of this concern. During conversations Cardoso reminded them that the 1996 municipal elections will affect congressional work during that year. This is why the decisive moment for the government begins in August.

"The president is convinced that his government agenda will be delayed if we do not take maximum advantage of the next half of the year," said a pro-government congressman who visited Planalto Palace this week. "He also knows that the next half of the year will be much harder than the past one," he added.

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The congressional agenda is very long. Besides the political and social security reforms, which have already begun to be discussed in Congress, the amendment proposals on the fiscal, tax, and state reforms must also arrive in Congress in August.

The government will also send to Congress next month — after the Senate concludes the second round of voting on the first stage of the constitutional reforms — the draft bills to establish the rules for the opening up of the economy. These draft bills will definitively open the way to allowing private initiative to participate in the fields of telecommunications and oil, which are currently still under state control.

So congressmen can really concentrate on this long agenda, the government wants to avoid initiatives such as the formation of Congressional Investigating Committees (CPI). According to congressmen who have spoken with the president, it has also been decided that the government will not avoid any controversial subject. Even the social security reform must be approved by Congress this year.

The leaders of the pro-government parties in Congress know that the reforms foreseen for the next half of the year directly affect the population more than the reforms approved before June. This is why they believe that they will eventually have to form a majority bloc in Congress to approve each one of the amendments. The party leaders believe that not all the congressmen who approved the government-proposed amendments during the first half of the year will do the same during the upcoming term.

The behavior of the pro-government bloc will be tested during the debate and voting on the Provisional Measure on the Deindexation of the Economy. The pro-government congressmen will have to resist the temptation — fueled by the measure's rapporteur, Senator Coutinho Jorge (Brazilian Democratic Movement Party-Para) — of creating a mechanism to protect low wages. "The government's political decision," said a deputy who spoke with President Cardoso this week, "is really to promote the deindexation of the economy."

Defunct Ministries Continue To Spend Funds

95SM0421A Sao Paulo O ESTADO DE SAO PAULO in Portuguese 29 Jun 95 p A4

[Article by Mara Bergamaschi: "Extinct Ministries Continue To Spend"]

[FBIS Translated Text] Brasilia—Although abolished six months ago, the Ministries of Regional Integration and Social Welfare have already spent 294.5 million reals [R] this year. Besides paying employees and administrative costs, these "ghost ministries" still pursue their former, clientelistic, functions: Regional Integration, which spent R81 million, transferred R34 million to the states of Minas Gerais, Bahia, Ceara, Maranhao, Paraiba, Rio Grande do Norte, and Sergipe. Except for Paraiba, all those states are governed by strong allies of President Fernando Henrique Cardoso.

The appropriations, from international loans, even benefitted states that are in default with the federal government. However, Leonides Pires Lima, the administrator, revealed that the "pending matters have been corrected."

"They opened up the coffers of a zombie ministry in favor of the rural sector at a time when Congress was speeding up the pace of its voting," charged Federal District Deputy Augusto Carvalho (PPS) [Socialist People's Party].

Social Welfare has already spent R32.5 million this year. Its administrator, Gilberto Leonel de Almeida Velloso, claims that "the ministries of Planning, Justice, and Social Security did not yet have sufficient structure to take over its personnel and functions." The Brazilian Welfare Legion spent R161 million and the Brazilian Center for Childhood and Adolescence Foundation R20 million.

Cardoso Broadcast of 'Ultimatum' to PSDB Highlighted

PY1107142695 Rio de Janeiro O GLOBO in Portuguese 4 Jul 95 p 3

["Highlights" of a 45-minute teleconference by Brazilian President Fernando Henrique Cardoso broadcast from Brasilia on 3 July by the Brazilian Telecommunications Company to mark the seventh anniversary of the PSDB founding]

[FBIS Translated Text] Ultimatum to the PSDB [Brazilian Social Democracy Party]

"A party that needs the government's support is not a party at all. It is the party that must support the government. We are a minority government, and therefore we had to ally with other parties in a coalition. It is not enough to have the control of the presidency and of some states to rule the country. The PSDB cannot be ashamed of defending the breaking down of government monopolies. It must positively assert that this measure is something good. This does not mean that the party is adopting the PFL [Liberal Front Party] program. Why should the PFL be the only party that has the right to be intelligent?"

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Down With Patronage

"I do not want to have the power to sow corruption. I am against acquiescing in requests by deputies from my party. Requests must be granted if they are good for the people. Those who raise objections are the ones who requested something and — I think — were not listened to."

The Left vs. the Vanguard of Backwardness

"Many people who used to live at the forefront of their times are now living at the forefront of backwardness. Does one necessarily have to be a jackass to be a leftist? If I were not the president of the Republic, I would give the names of those jackasses. Thanks to the Real Plan, we effected the greatest income distribution in the history of Brazil. We have been firm with demagogues. We are going to win the battle against poverty and destitution."

Coexistence With the PFL

"The PSDB did not win the elections alone. Our main challenge at present is to maintain the coalition while at the same time maintaining the individuality of our party. We do not intend nor pretend to turn our back on our allies. I have always disagreed with other leftist sectors over this issue. Our grass roots include sectors ranging from the center-right to the center-left. If I were to talk as a professor, I would say that we are confronting a problem of "Gramsci-style" hegemony (Antonio Gramsci, Italian Marxist, 1891-1937). There are those who oppose everything, yet propose nothing in turn. The consolidation of our currency, economic stability, and new policies in the country — this, in a nutshell, is what the PSDB is. I am not ashamed of talking about the immense support I have in Congress. Those who have tried to win the presidency all by themselves have failed in their attempts."

The President's Convictions

"How much ink has already been used to fill pages and pages with comparisons between positions I defended in the past and the ones I maintain at present.... Such is the case with oil, for example. Forty years ago, I was very young and adopted my father's position. Monopolies played an important role in the past. Brazil is at present the 10th leading economy in the world and is incorporated in a global economy. Those who vociferously think that they are in the vanguard by thinking in such a manner are actually marooned in the past."

Governors

"I would like to take this opportunity to thank all governors for having put their shoulders to the wheel. I am not referring only to PSDB governors, as those who do not belong to my party have also given their hearty support to my administration, and I would like to thank you all for this."

PSDB Affiliates

"I would like to call upon all fellow party members to be more actively involved in party politics because if they fail to do so, the public will think that Brazil only has uncouth people in the streets (he was referring to groups that stage demonstrations in the streets). Many people who used to live at the forefront of their times are now living at the forefront of backwardness, rallying around banners that were useful to the country at a particular time, but are now totally outmoded."

Loyalty

"As the PSDB is not a sectarian party, we are tolerant of matters of conscience. Many Brazilians, on account of their past, must be respected for their ideas on this or that subject. Nevertheless, whoever opposes everything must do the honorable thing and resign from the party. That person cannot continue to burden the president of the Republic with the entire responsibility for unpopular measures so as to always come off well with the grass roots."

The Southern States

"The southern states (Parana, Santa Catarina, and Rio Grande do Sul) have not yet been able to experience harmonious growth like other regions. I always tease [Communications Minister Sergio] Motta about our project to be in office for the next 20 years. To achieve this, the PSDB should take the necessary steps to be a very active force in the forthcoming general elections. And Rio Grande do Sul, as well as other states of the region, is a key state. The presence of [Popular Party President] Alvaro Dias will help tremendously in the consolidation of the PSDB in Parana."

Social Democracy

"When the public demands results from social democracy, I reply that the party platform is a letter of intent. It only becomes a reality when it is implemented. When people start discussing what the meaning of being a leftist is at present, I always recall the definitions of two intellectuals. Eric Hobsbawn and Norberto Bobbio argue that being a leftist means safeguarding democracy with social justice. The PSDB will be on the right track as long as it defends a broad democracy (besides

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Congress), but without enshrining popular movements in sacredness as if they had complete dominion over truth. And we will do this despite those blabbermouths who call themselves leftists. The PSDB's challenge is to lend support to the veritable banners of modernization and transformation of our country rather than hiding itself from the control of that prattling left."

Daily Assesses Meaning of Cardoso's Trip to Venezuela

PY1107181795 Sao Paulo GAZETA MERCANTIL in Portuguese 6 Jul 95 p A4

[Editorial: "Strategic Meaning of the Visit to Venezuela"]

[FBIS Translated Text] Brazilian President Fernando Henrique Cardoso's visit to Venezuela in response to an invitation from his counterpart Rafael Caldera could well be his strategically most important trip so far. Even though the two countries have been strengthening their ties over recent years, certain strata of the Venezuelan society still harbored some distrust toward Brazil over imaginary expansionistic ambitions which had been much ballyhooed on the occasion of border conflicts between the two countries. Such incidents, however, have little significance if compared to the interests of two countries that have a long common border, that have attained similar levels of development, and that are equally committed to their own economic stabilization programs.

Although Venezuela is an oil-exporting country and Brazil is not self-sufficient with regard to oil, Brazil's purchases of Venezuelan oil increased substantially only in 1991, during the Gulf war. The fact that Venezuela had traditional clients and that Brazil usually purchased oil from other suppliers could explain this situation.

From there on, however, the two countries opened up a new trade channel and Venezuela has become Brazil's third most important supplier of oil. The proven effectiveness of this new trade channel paved the way for a new phase that includes the partnership between Venezuelan Petroleum Inc. (PDVSA) and Petrobras [Brazilian Petroleum Corporation], which will give birth to Petroamerica.

This particular area is fraught with prospects above and beyond mere trade between the two countries. The PDVSA-Petrobras "joint venture" [preceding two words in English] will make it possible to carry out joint projects in Venezuela, Brazil, and elsewhere in the world. It even provides for a partnership to build a refinery in Brazil's northeastern region. The blueprints for this refinery should be ready by the end of the year.

It is only to be expected that these deals will catch the limelight, but there are other equally important reasons for Venezuela and Brazil to work closely together from now one for the benefit of their respective peoples. For bilateral trade to grow, the currently precarious means of transportation along the border must be considerably improved. The Brazilian Government must work very hard to build the first highway between a Brazilian state capital (Boavista, Roraima State) and the Venezuelan border. Agreements for this have already been signed. There could also be an interconnected power grid in the area using the Guri hydroelectric dam in Venezuela as the main source.

This power grid will greatly facilitate the implementation of bilateral projects for the sustainable exploitation of mineral deposits through agreements between the Venezuelan Guyana Corporation and the Brazilian Rio Doce Valley Company (CVRD). The Brazilian invitation to the Venezuelan Government to participate in the Amazon Region Surveillance System (Sivam) — which cannot, nor should, serve a single country — clearly epitomizes the spirit that prevails in the relations between the two countries. It is expected that in time, this offer will be made to other countries that share the Amazon basin.

It is worth exploring the possibility of turning Venezuela into a valuable means for greater integration with the Andean Pact. The objective, however, should not be Brazil's alone. As a member of the Mercosur [Common Market of the South], Brazil should help strengthen relations between Southern Cone countries, Amazon countries, and Andean countries, so as to lay the foundations for the future South American Free Trade Association (ALCSA). One should bear in mind that this is one of Mercosur's objectives.

The favorable response that President Cardoso elicited in Venezuela is a sign that President Rafael Caldera's administration is not at all opposed to the idea of broader common markets. The timing of this idea could not have been better, because South American countries are treading the democratic path in the quest for an economically more open society.

Governors Shifting Positions for Second Stage of Reforms

PY1407235495 Rio de Janeiro O GLOBO in Portuguese 13 Jul 95 p 2

[From the "Political Outlook" column by Tereza Cruvinel: "The Governors"]

[FBIS Translated Text] The phone rang yesterday in the office of Deputy Marcelo Deda of Sergipe [Workers

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Party, PT]. It was Sergipe Governor Albano Franco [Brazilian Social Democracy Party, PSDB] calling.

"What happened, governor, has Bahia invaded Sergipe?" joked Deda, stressing his surprise over the governor's call, as they are political opponents.

Governor Franco said that he was phoning him to say that he was pleased over Deda's criticism of the government-proposed tax reform establishing equal ICMS [goods and services movement tax] rules in all states, so as to end the fiscal war among them. Deda and Franco agreed to hold a meeting with the entire Sergipe congressional bloc to design joint action in defense of the interests of Sergipe State.

What this simple scene demonstrates is the entrance of the governors onto the scene of the constitutional reforms during the second half of the year, when Planalto Palace will have to face defections from the congressional majority that supported the first stage of the reforms. The governors are alert, distrustful, and divided regarding the tax reform, which has still not been presented officially. The PSDB members are not united: Albano Franco, Rio de Janeiro Governor Marcello Alencar, and Para Governor Almir Gabriel support state autonomy, which allows states to offer fiscal incentives to investors. Sao Paulo Governor Mario Covas and Minas Gerais Governor Eduardo Azeredo are fighting against the fiscal war that is taking investments away from their states.

Alliances among political opponents will also take place. Maranhao Governor Roseana Sarney, from the Liberal Front Party, and Espirito Santo Governor Victor Buaiz of the PT both oppose the idea of eliminating export taxes unless states like theirs are guaranteed fiscal compensation, as they obtain a great part of their income from port movement. Parana Governor Jaime Lerner, from the Democratic Labor Party, and Rio Grande do Sul Governor Antonio Britto, from the Brazilian Democratic Movement Party, agree so much that they could both join the PSDB. They agree on one point of the tax reform — the reduction of taxes on fruits and vegetables — and will ally with other strongly agrarian states to avoid the loss of income.

In order to face this reshuffling of governors, President Fernando Henrique Cardoso, in his capacity as political coordinator, will need something more than the policy of holding breakfasts, lunches, and dinners with politicians, which guaranteed him success during the first stage of the constitutional reforms.

Finance Minister Outlines Agenda for Second Half of 1995

PY1107193895 Sao Paulo GAZETA MERCANTIL in Portuguese 6 Jul 95 pp A1, A3

[Article by Claudia Safatle and Ivanir Jose Bortot from Brasilia]

[FBIS Translated Excerpt] The time has come to tackle fiscal policy. Finance Minister Pedro Malan has told GAZETA MERCANTIL what his working agenda for the second half of the year will be. Starting in August, the administration will send to Congress three sets of reforms aimed at streamlining the fiscal policy, which is essential to shore up the stabilization plan.

These reform packages are:

— A constitutional amendment on administrative reform which includes putting an end to blanket job stability for public servants, establishing ceilings for expenditures (especially personal services) for the legislative and judicial branches, and the possibility of differentiating between civilian and military public servants for the purpose of salary hikes.

— A reform of the spending structure that implies putting an end to the system of revenues tied to specific expenditures which, between one thing and another, leaves the federal government only 10 percent of its net revenues with which to manage its fiscal policy.

— A tax reform being drafted jointly by a subcommittee of the Chamber of Deputies created specially for this purpose and the economic team.

Malan explained that these three packages, together with privatization, which will begin on 11 July with the auction of Escelsa [Espirito Santo Power Plants, Inc.], and the Social Security reform, currently on the back burner after having been approved by the Constitution and Justice Committee of the Chamber of Deputies, "are the five pillars of the Real Plan." According to the minister, "the reduction of the Brazil cost, which will be implemented within the next three months," is also a key component of this plan. The latter issue is essential for underpinning the exchange policy. [passage omitted]

Trade Balance Deficit Reaches $775 Million in June

PY1807033895 Sao Paulo AGENCIA ESTADO in Portuguese 1445 GMT 17 Jul 95

[FBIS Translated Text] Brasilia, 17 Jul (AE) — Mauricio Cortes, the foreign trade secretary at the Industry and Commerce Ministry, has just released the June trade balance figures: Brazil had a $775-million deficit in June; that is, a little less than the $790-million deficit reported

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in May. In June, Brazilian exports reached the record figure of $4.120 billion, but imports totaled $4.895 billion. The accrued trade deficit from January to June this year has totaled $4.266 billion. During the past six months, imports totaled $25.715 billion, while exports totaled only $21.449 billion.

Cardoso Vows Not To Pardon Debt; Farmers Protest

PY1807025295 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 17 Jul 95

[FBIS Translated Text] Farmers from all over the nation are marching on Brasilia to protest the TR [Reference Interest Rate], which is used to correct farming loans. President Fernando Henrique Cardoso today stated that he will not pardon bad farming loans.

Early today the caravan of farm vehicles passed through Guaira, near Ribeirao Preto, Sao Paulo State. By 1600, the caravan had already arrived in Goiania, where they will spend the night before moving on Brasilia.

The first group of vehicles is already circulating around the ministries in Brasilia. Tractors, harvesters, and trucks are lined behind the ministerial esplanade. Farmers from the central-west region are awaiting for their colleagues who are coming from the South to protest the administration's agricultural policy.

The farmers seek the elimination of the TR, the rate used to correct agricultural loans. They claim that the cost of the loans rises much faster than the prices of produce and that, because of the TR, they cannot repay their loans.

[Begin recording by Paulo Castanheira, head of the Brasilia Farmers Association] We want to pay what we owed when the Real Plan started, to calculate the debt in products, and to pay that debt in products plus interest. [end recording]

The administration agrees to renegotiate part of the debt of the farmers and to eliminate the TR beginning in the next harvest for small and mediunm-size farmers. Yet, the administration has ruled out pardoning the farmers' debt. This is what President Cardoso said today in a televised speech. :

[Begin recording] There is one thing I cannot do: Pardon bad debts. I cannot agree with what some minority groups are proposing, some of which are organizing a truck march protest on Brasilia this week. They are asking to be exempted from repaying their loans. I cannot accept that, for if I did, the Bank of Brazil would no longer have resources to finance agricultural activities. [end recording]

The president gave the Agriculture Ministry phone number: 0800- 61-1995. As soon as he finished his speech, the switchboard was flooded with calls. Nearly 100 calls per hour from unhappy farmers were received from all over the nation.

[Begin economic expert Joelmir Beting recording] One thing is certain: Brazilian agriculture is facing five problems this year. First, prices have never so low; second, interest rates have never been so high; third, the Brazilian currency has never been so overvalued; fourth, taxes have never been so heavy; and fifth, the Brazilian market has never been so open to imported products. Because of all this, farmers are experiencing their worst time in 50 years, despite a lack of drought or pests. [end recording]

IBRD President Visits, Announces $2 Billion in Loans

PY1807033795 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 17 Jul 95

[FBIS Translated Text] World Bank (IBRD) President James Wolfensohn today announced in Brasilia that the IBRD will loan $2 billion to Brazil in 1996. Wolfensohn met here today with President Fernando Henrique Cardoso, Finance Minister Pedro Malan, and Planning Minister Jose Serra.

Wolfensohn said it will be up to the Brazilian Government to obtain the loans. These funds will be earmarked for environmental, basic sanitation, roadbuilding, and rural antipoverty projects.

According to Wolfensohn, the IBRD seeks to increase its investments in Brazil, which in 1994 did not exceed $600 million.

Wolfensohn has been in Brazil for three days, visiting IBRD-financed projects in the Amazon region and in the northeast.

Issue of Import Tariffs With Argentina Reopened

PY1707225595 Rio de Janeiro JORNAL DO BRASIL in Portuguese 14 Jul 95 p 2

[From Castello's column by Marcelo Pontes]

[FBIS Translated Excerpt] In addition to achieving peace with regard to the car trade issue during a meeting in Brasilia on 12 July, Brazil and Argentina agreed to review the list of products on which the two countries impose import tariffs.

This list is part of the tariff exemption system or adjustment system of Mercosur [Common Market of the South], which was signed last year in Ouro Preto (MG) [Minas Gerais State], with serious detriment to Brazil.

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When the agreement was being concluded, establishing the Brazilian products that it would tax, Argentina presented a huge list. It is so huge that it occupies 10 single-spaced typewritten pages.

The list includes, for example, orange juice; instant coffee; all types of cotton, woolen, or fiber clothing for men, women, and children; polo shirts; long- and short-sleeved shirts; undershirts; underpants; pants; pajamas; nightgowns; socks; women's undergarments; jackets; shawls; shoes; refrigerators; freezers [preceding word in English]; fans; iron sheets, bars, or plates; pipes for oil pipelines or gas pipelines; various types of paper (including bristol board); tires; and even wooden furniture.

In Argentina, taxes on these products have ranged between 14 and 27 percent since 1 January. More frequently, however, these taxes have ranged between 23 and 27 percent, bearing in mind a gradual reduction until 1998, when this import tax will range between 4 and 6 percent.

The Brazilian list is ridiculous. Only peaches in syrup, some wines, some 10 types of rubber, and a few varieties of textiles from Argentina are being taxed. The highest tax totals 20 percent, with the same criterion of gradually reducing it until 1998, but with a significant difference: At the end, the taxes on Argentine products will barely range between 3 and 4 percent.

It is obvious that the agreement has been detrimental to Brazil, and cannot stand. Industry and Trade Minister Dorothea Werneck has told Argentine Foreign Minister Guido Di Tella that Brazil is interested in reviewing this agreement.

Fortunately for Brazil, Di Tella has agreed to reopening the negotiations. Argentina accepts any challenge from Brazil in this field for a very practical reason: Argentina's overall trade surplus totals $700 million. In connection with Brazil, Argentina's trade surplus totals $2.5 billion. Argentines do not want to have any export problems.

Within about two or three weeks, foreign trade experts from the two countries will meet again to discuss the revision of the lists. This will now become a major issue in relations between Brazil and Argentina.

As it now has an idea of the nonsense generated during the Ouro Preto negotiations, the Brazilian Government is also aware of the fact that it is not possible to forge the Mercosur in a mere four years. It took 40 years to sign the EC accords, and there are still many problems. [passage omitted]

Extension of Jurisdiction Over Continental Shelf Sought

PY1407190895 Sao Paulo AGENCIA ESTADO in Portuguese 2245 GMT 12 Jul 95

[FBIS Translated Text] Rio de Janeiro, 12 Jul (AE) — The Brazilian Federal Government is betting that Brazil's continental shelf has oil and natural gas beyond Brazil's current jurisdiction, and is investing $2 million per year in the Plan for the Survey of Brazil's Continental Shelf (Leplac) [Plano de Levantamento da Plataforma Continental Brasileira], which Petrobras [Brazilian Petroleum Corporation] and the Brazilian Navy are coordinating. The main objective of this plan is to extend national sovereignty over Atlantic waters by at least 100 miles and to expand the area of exploitation of hydrocarbons accordingly. Jairo Marcondes, chief of the special group Petrobras has created to demarcate the continental shelf, indicated that the continental shelf shows signs of oil and natural gas beyond the 200-mile jurisdiction. He said: "We have not yet completed studies proving that there is oil there, but we are looking." He added: "We want to stake our claim and exploit to the extent possible."

Marcondes explained that four different types of geophysical surveys, including seismic studies, are being carried out. "Seismic information will show whether oil is likely to be found in a given area." Once the research phase is over, Petrobras and the Navy will study the collected information and will be able to pinpoint the areas where minerals abound. The Petrobras special group chief admitted that Brazil's production of hydrocarbons could increase significantly if new oil and natural gas deposits are discovered, but he did not want to mention figures. "Any estimates of how much our production would increase would fall into the realm of futurology," Marcondes said. Meanwhile, Petrobras is developing the Procap-2000 Project aimed at developing the technology necessary to exploit petroleum deposits at depths of up to 2,000 meters. "I believe that very soon we will be able to exploit known underwater oil fields at depths of over 1,000 meters," Marcondes claims.

The Leplac has been in existence since 1987. It is based on the UN Convention on the Law of the Sea that Brazil signed in 1982 and ratified in 1988. The Law of the Sea Convention went into effect in 1994, but the signatory countries have 10 years to establish the jurisdiction over their continental shelves.

The Leplac proposes, based on the results of its research, that Brazil's jurisdiction over its continental shelf be extended to 350 miles instead of 200 miles. According to the Law of the Sea Convention, "coastal states have exclusive rights to exploit and use natural resources

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found on the sea floor, or in the subsoil." Thus far, Brazil has invested $30 million in the Leplac. The money has been used to buy ships and research equipment.

Brazil has until the year 2004 to complete the Leplac and submit its proposal for extending its jurisdiction over its continental shelf. The experts want to complete the project in the year 2001 to submit it to the UN Committee on Borders well in advance of the deadline.

Chile

Cuban Ambassador Fuentes Emphasizes Trade Relations

PY1807011195 Santiago EL MERCURIO in Spanish 15 Jul 95 p C2

[FBIS Translated Text] New Cuban Ambassador Aramis Fuentes announced yesterday he will concentrate on strengthening bilateral relations at the economic and trade levels and on signing an agreement on reciprocal promotion and protection of investments.

Ambassador Fuentes presented the copies of his credentials to Foreign Minister Jose Miguel Insulza and will present his credentials to President Eduardo Frei on 17 July.

Fuentes said he wants to strengthen Cuban-Chilean relations, particularly after the two governments decided to establish diplomatic relations at the ambassadorial level on 7 April 1995.

Although he made it clear that all aspects of bilateral relations will be important in the task entrusted him by President Fidel Castro, he admitted, in response to a reporter's query, that investment and trade have priority.

Asked if an agreement on the promotion and protection of investments between Chile and Cuba will be signed, Fuentes said it will. He added: "We are working on it, and we hope it will be signed soon."

Consular and trade relations with Cuba were resumed under the Patricio Aylwin administration in 1991 after all links were broken during the 1973 military coup.

Fuentes, who is an economist, said he hopes his experience in this field will help him to achieve his goals.

He said he knows the people and feels great affection for them because he lived in Chile in the past and is happy to be back. He added: "Therefore, I am here not only with the official mission to improve and strengthen relations but also with the great personal desire to improve and strengthen relations."

About the political situation in his country, Fuentes said that "life in Cuba has great intensity." He labeled the stage his country is experiencing "outstanding."

Fuentes added: "There are problems. Everybody knows about them. But our people made a decision to work to overcome the problems. There is a united effort, a decision by the majority of the people to face the challenge to resolve our problems and to make progress."

Implications of Resumed Relations With Cuba Noted

PY1807020195 Santiago LA NACION in Spanish 14 Jul 95 p 8

[Article by Maria Ines Ruz from Santiago]

[FBIS Translated Text] The reestablishment of diplomatic relations with Cuba places Chile in an important position to support the democratization of that Caribbean nation and its return to the international fold. Cuban Ambassador to Chile Aramis Fuentes presents his credentials today and will be officially accredited to Santiago on 17 July.

Chilean Ambassador to Cuba Patricio Pozo will meet with Foreign Minister Jose Miguel Insulza to receive instructions about the profile that he will have to adopt in this new stage of his mission in Cuba.

Above and beyond being a politically sensitive issue at the domestic level, the Cuban question is of interest for Chile's foreign policy and was broached at the bilateral consultation meetings with the United States. While Cuba's overriding interest is to step up bilateral trade with Chile — hence the appointment of Fuentes, an economist, as ambassador — Chile is more concerned with making cultural exchanges more fluid, although it does not intend to pass over the trade issue.

To further cultural exchanges, Chile will sponsor seminars, conferences, and exchange visits by professionals, which will constitute the best aid for Cuban citizens to take advantage of the resumption of diplomatic ties with Chile. On 11 July, Insulza said that he considered it reasonable that the resumption of diplomatic relations should be instrumental in promoting flexibility in the Cuban system of government.

Two initiatives are added to the official efforts to help with the democratization of Cuba and its rejoining the inter-American scene:

One is the proposal put forward by the Committee for Cuban Democracy — an institution established by Cuban intellectuals living in exile — to hold its next annual meeting in Santiago.

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The other one is that Eduardo Garcia Moure, the Cuban secretary general of the Latin American Workers Federation (CLAT), invited former President Patricio Aylwin to join a group of regional dignitaries who will promote political dialogue with Cuban authorities.

Aylwin told LA NACION that in principle he agreed with the idea of supporting all initiatives that contribute to Cuba's return to the fold of the family of nations of the Americas.

Efforts to promote dialogue have been redoubled — a delegation from Inter—American Dialogue has been to Havana, a visit by former [U.S.] President Jimmy Carter is being negotiated, and the EU might sign a cooperation agreement with Cuba.

'Deep Reservations' Seen Regarding Resumed Ties With Cuba

PY1807034495 Santiago EL MERCURIO in Spanish 14 Jul 95 p A3

[Editorial: "Chile and Cuba"]

[FBIS Translated Text] Upon setting foot in Chile following the resumption of diplomatic relations between our country and Cuba, the first Cuban ambassador accredited to the Frei administration termed his arrival "a historic occasion."

The newly accredited ambassador's labeling of this new relationship between Chile and Cuba as a historic occasion highlights the stages that have been experienced in the ties existing between both nations. In fact, when Chile had to sever relations with Cuba in 1964, it did so to comply with an agreement adopted by the Ninth Foreign Ministers' Meeting in Washington. Chile was one of the four countries that had not broken off relations with the Caribbean island, but the weight of the OAS ruling obliged our country to abide by it. It must be recalled that the multilateral resolution was passed to condemn Cuba's interference in several countries of the region.

The administration of Eduardo Frei Montalva [1964-70] maintained the severance of diplomatic ties and it also had to face several situations that further estranged Chile from Cuba. Several parliamentary missions that visited the island at that time had to leave Cuba and suspend their rapprochement tours in view of the attacks on the part of the Cuban press against Chile. This notwithstanding, the situation changed as soon as Salvador Allende took office [1970-73]. The new Chilean president not only reestablished diplomatic relations with Cuba, but also initiated a stage of a close relationship with Castro's regime.

Castro's visit to Chile in 1971 — the most prolonged visit that any head of state has ever made to our country — reinforced the presence on our soil of members of the Cuban regime who became engaged in Chilean domestic politics without any limitations. The Cuban Embassy in Santiago maintained a disproportionate number of officials, something that on more than one occasion awoke the protest of Congress. When the Popular Unity's administration was toppled, public opinion learned about the support Castro's regime had bestowed upon Chilean extremism.

Cuba's constant support for terrorist elements and the lack of conviction about the non-intervention of the Communist regime in our domestic policy were the considerations that the Aylwin administration [1990-94] took into account in terms of not resuming diplomatic relations with the Caribbean island and not considering this subject as a priority. Nevertheless, President [Patricio] Aylwin reestablished consular and commercial ties with Cuba in January 1992 due to — among other things — the increase in the number of Chilean tourists visiting that nation and the interest of certain business sectors in doing businesses with Cuban state-owned enterprises.

To top it all, Cuba refused to honor a debt with Chile amounting to 58 million Swiss francs, which dated back to 1973, and ignored — as it does at present — the validity of democratic principles and human rights. What is more, when the ambassador set foot on Chilean territory, Fidel Castro voiced his categorical rejection of any political reforms that may lead to a "capitalist" democracy.

The incumbent administration of the Coalition of Parties for Democracy has decided to resume diplomatic ties with Cuba. This measure, however, is viewed with deep reservations because of Cuban intervention in Chile, Cuba's support for terrorism, its undemocratic government, and its constant violations of human rights.

Parties Coalition Views Pinochet Remarks as 'Mistaken'

PY1407173495 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1100 GMT 14 Jul 95

[Speakers identified by on-screen captions]

[FBIS Translated Text] The Coalition of Parties for Democracy has reported that General Augusto Pinochet is mistaken when speaking about the existence of a revanchist spirit in the country. The right has also deplored President Eduardo Frei's decision to leave the human rights issue exclusively in the hands of the courts.

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During a meeting with former aides and supporters, Gen. Pinochet had said that those who generated the 1973 crisis are now acting with a revanchist spirit.

[Begin recording] [Christian Democratic Party President Alejandro Foxley] I think Gen. Pinochet is profoundly mistaken. There is no revanchist hatred in this country, but a tremendous collective hope for a peaceful coexistence.

[Parties for Democracy, PPD, Secretary General Patricio Hales] We have never been inspired by vengeance. It does not inspire us. We are even willing to pardon such tremendous barbarities committed. I think Gen. Pinochet is mistaken on this. [end recording]

The Independent Democratic Union [UDI] has said that Pinochet's remarks reaffirm the fact that there is a serious problem involving the military. For this reason, the UDI rejected President Eduardo Frei's proposal to rule out all proposals for dialogue with the Armed Forces or for the re-interpretation of the amnesty law to solve this conflict.

[Begin recording] [UDI President Jovino Novoa] I think the left has once again twisted the government's hand. I firmly believe that the justification given by Minister Brunner has nothing to do with the country's real situation. Debate is real and necessary.

[National Renewal President Andres Allamand] The ostrich policy has been turned into some sort of official policy of this government. It was decided, in an almost authoritarian manner, that there are no pending problems of transition and that there are no difficulties with regard to the civilian-military agenda.

[PPD Senator Sergio Bitar] The right has no authority to propose anything to the country, and believes that the path is to divide the coalition. It is absolutely mistaken. The right has no authority to come and tell us how to solve the human rights problems when they, through their silence — accomplices at times, and active on other occasions — have helped to make things as they were.

[Socialist Party Senator Carlos Ominami] I feel that never before have we had such a high level of harmony with the presidential concerns. We fully support the president of the Republic, and we have told him that we are available to participate in a reconciliation effort, but a reconciliation effort that will be made in a sincere manner. [end recording]

Correction to Pinochet Warns Against 'Revanchist Hatred'

PY1407160495

The following correction pertains to the item headlined "Gen. Pinochet Warns Against Dangers of 'Revanchist Hatred,'" published in the 14 July Latin American DAILY REPORT, pages 19-20:

Page 20, column one, paragraph five, second sentence make read: ...energy is, therefore, relentlessly committed to vengeance, to the point of destroying if possible the target of its doctrine...(rewording for clarity)

Colombia

Prosecutor General Rules Out Extradition of Citizens

PA1807032995 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 18 Jul 95

[Report by Alvaro Ayala from the "24 Hours Newscast"]

[FBIS Translated Text] Prosecutor General Alfonso Valdivieso reiterated today that Colombia will not extradite its citizens and thus responded to U.S. Ambassador to Colombia Myles Frechette, who has said his country would be willing to extradite Fabio Puyo, who is responsible for the financial collapse of the El Guavio project, if certain Colombians were to be extradited to the United States.

The prosecutor general retorted to U.S. Ambassador Myles Frechette today that Colombia is not in the habit of extraditing its citizens. The response was made public following a U.S. Government offer to extradite Fabio Puyo Vasco back to Colombia in exchange for our government opening the possibility of extraditing its citizens, particularly the so-called Cali Cartel members:

[Begin Valdivieso recording] No, no. It is impossible to extradite Colombians at this time. Of course, this practice has been outlawed and is absolutely barred by the Constitution. [end recording]

De La Calle Foresees Expanded Cooperation With Cuba

PA1507031995 Havana PRENSA LATINA in Spanish 2309 GMT 14 Jul 95

[FBIS Translated Text] Havana, 14 Jul (PL) — Vice President Humberto de la Calle said today in Havana that one of the objectives of his visit to Cuba is to expand cooperation between the two Latin American countries.

Cuban Vice President Carlos Lage, Foreign Minister Roberto Robaina, Ernesto Melendez, foreign investment

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and economic cooperation minister, and Colombian Ambassador to Cuba Ricardo Santamaria welcomed the delegation headed by De la Calle this afternoon at the Jose Marti International Airport.

In remarks to the press, the Colombian vice president said that during his stay on the island an existing agreement on health will be expanded, basically regarding the supply of vaccines and medicines.

We will expand cooperation on education and sports, and the process to ratify the agreement on mutual protection of investments will be furthered, he stated.

De la Calle said that the two nations maintain an ongoing dialogue in different international forums, based on mutual respect and in favor of the integration and new guidelines for the United Nations.

On the Non-Aligned Movement [NAM], he explained that he is the bearer of an invitation by Colombian President Ernesto Samper to Cuban President Fidel Castro for the organization's upcoming summit, which will be held in October in Cartagena de Indias.

We want an agenda attuned to the times for the NAM, since we regard it as the major democratic forum for discussion and reflection of the Third World.

The vice president noted that Bogota supports international diplomacy without exclusions, based on the principles of nonintervention and the free determination of the peoples.

To conclude, he announced he expects that during his official conversations in Cuba the main guidelines that will rule the next session of the Cuban-Colombian Joint Commission, scheduled for August in Bogota, will be established.

The Colombian mission will conduct a broad working program during the three days of its official visit to Cuba.

Police Uncover Guerrilla Plot To Sabotage Nonaligned Summit

PA1707132895 Mexico City NOTIMEX in Spanish 1708 GMT 15 Jul 95

[FBIS Translated Text] Santa Fe de Bogota, 15 Jul (NOTIMEX) — Colombian police have discovered a guerrilla plot to sabotage the Nonaligned Movement (NAM) Summit of heads of state and government, which will take place in October in Cartagena de Indias.

A police intelligence report divulged on 15 July by EL TIEMPO said that, through intercepted telephone calls, it was discovered that the guerrillas hired a double agent working for official security agencies to obtain details regarding the meeting site.

A total of 112 heads of state from an equal number of countries, including PLO leader Yasir 'Arafat and Egyptian President Hosni Mubarak, are expected to attend the NAM Summit on 14-20 October. Mubarak recently emerged unharmed from an attack in Addis Ababa, Ethiopia, perpetrated by an Egyptian Islamic extremist group. After the plan failed, the group promised to succeed next time.

According to the intelligence report, the agent, whose name is Sergio Nates, went by the alias of "Blue Point" ["Punto Azul"]. His mission was to obtain blueprints and photos of the Cartagena de Indias Convention Center and to deliver them to the Revolutionary Armed Forces of Colombia (FARC). The Convention Center will be the site of the NAM meetings, while the participants will be lodged at the VIP House in "Fuerte de Manzanillo," one of the most beautiful colonial areas in Cartagena de Indias, and in various hotels in that city.

The intercepted phone calls from "Blue Point" immediately alerted state intelligence agencies, which are meticulously preparing a security plan for the visitors, and made it necessary to increase security measures.

According to reports, "Blue Point" took advantage of his role as an informer of the National Police, the secret police (DAS) [Administrative Department of Security], and the Colombian Navy to send information to FARC groups operating in Colombia's Caribbean region.

According to the document, the most important factor in this intelligence operation is that "the guerrilla plans were detected in time, and it was possible to tighten security and give the necessary protection to the summit participants."

Aside from 'Arafat and Mubarak, other international leaders who will attend the NAM Summit include Cuban President Fidel Castro, who, because to the complexity of the political problems in his country, will require special security measures, the police source said. It is estimated that, of the 112 heads of state and government who will participate, about 60 — mainly presidents from Central and South America — are from countries that are partners or observers.

Asked about security arrangements for the participants, Colombian Foreign Minister Rodrigo Pardo said, "based on previous experience during similar meetings, I am certain security will be guaranteed."

The organizers have been careful about such issue, because any confusion on their part could prompt the absence of heads of state, reducing the NAM Summit to a foreign ministers meeting.

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Some of the issues to be discussed during the meeting are social development, foreign debt, protection of women, youth and children of the world, drug trafficking, and other issues of common interest to the participating countries. At the summit, Colombian President Ernesto Samper will be sworn as NAM president for a one-year period.

Memo by Army General Bedoya Provokes 'Crisis'

95CA0308A Santa Fe de Bogota SEMANA in Spanish 11 Jul 95 pp 36-39

[FBIS Translated Text] *If Serrano was the week's winner with regard to the drug traffic, Bedoya was the same in the case of the guerrilla movement: The government paid more attention to his memo than was thought.*

At 1100 hours on Sunday, 2 July, the adviser for communications, Juan Fernando Cristo, called President Ernesto Samper in Cartagena to tell him something that ended up disturbing his peace over the long weekend. Cristo informed his chief that he had just received the issue of SEMANA, and that it disclosed an internal memorandum from the Army commander, General Harold Bedoya, containing serious questions about the possible demilitarization of La Uribe.

The president's anger was conveyed to Pietra Santa, in Italy, where Defense Minister Fernando Botero had just arrived with his wife and children to spend a few days relaxing with his father, the famous painter and sculptor. Botero was forced to arrange for his immediate return, to face the crisis provoked by the publication of the Bedoya memorandum. Judging from the chief executive's comments, the general's hours in his post as commander were numbered. Other high-ranking government officials who held a dialogue with the president between Sunday and Monday received the same impression. And they confirmed it at noon on Monday, when they heard their chief use in a speech at the Cartagena naval base a phrase that would resound throughout the week: "I am in charge here."

Early Tuesday morning, Samper received Botero at Narino House and, although he still thought that it would be best to dismiss Bedoya from active duty, certain factors caused him to hesitate. First, a communique issued by the general on Monday afternoon, in which he claimed to disagree with some of interpretations that SEMANA (and by that time nearly all the other news media) were making of the memorandum. Second, the fact that, after all, the text of the memorandum did not constitute a deliberative act such as those prohibited for the Public Force by Article 219 of the Constitution. Quite the contrary: it was protected by one of the regulations contained in that article, stipulating that the Public Force could submit petitions "on matters relating to the service."

The third factor that caused Samper to hesitate was the idea that the leaking of the document could have been fostered by some enemy of the general, expressly to put him in trouble, and leave him on the verge of an abrupt retirement. A source at Narino House explained to SEMANA: "The president was suddenly seized with the fear of committing an injustice."

Thus, on Tuesday morning, those who had expected that day to be the one of Bedoya's funeral, realized that, for the time being, it was being postponed. And the general's luck continued to improve as the hours elapsed. The editorials in EL TIEMPO, EL ESPECTADOR, EL NUEVO SIGLO, LA PRENSA, and many of the regional newspapers sided with him. The spontaneous phone calls to radio stations did so as well. And somewhat the same thing occurred among the majority of political leaders, and business leaders in particular. During that interval, Bedoya received a veritable plebiscite of support.

Late in the afternoon, the president met with the generals (over 20) in the large council of ministers room. The images from this meeting were, in themselves, a refutation of those who continued to deny the existence of a crisis, and who were describing as commonplace a memorandum that had forced Samper, a few hours after its publication, to order his defense minister to return from his barely started vacation, making it clear that he was the one giving the orders, and summoning to the palace so many generals that their number alone set a record in recent history. The ambivalence of the government itself, in acting as if this were a crisis while attempting to deny it, was summarized in Botero's statement to the press (surrounded by the leading generals), in one of the courtyards at Narino House, at the end of the summit meeting with the president. He declared: "The alleged crisis reported by certain sectors between the national government and the Military Forces has been surmounted, and I daresay it never existed."

But, apart from the aforementioned events, which are rather inconsequential, what became of the analysis of the questions raised by Bedoya, for which the vast majority of commentators found more than sufficient grounds? The keys to the response are contained in Botero's statement. In it, the minister claimed that, in the event that peace talks were held with the guerrilla movement in the municipality of La Uribe, "the national government would be willing to consider the clearing of a rural section of the aforementioned municipality for a limited time period, and the concentration of the

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respective troops in the area of the municipal district capital." At first glance, this seemed to be a reiteration of the views that Samper had been upholding since his speech in Bucaramanga, on 18 May. It was, in fact, an explanation of those ideas, proving that the military had attained its goals, at least partially. In Bucaramanga, the president had announced the military clearing as a decision, and not (as Botero noted last Tuesday) as something that the government "would be willing to consider." In Bucaramanga, Samper had mentioned demilitarizing the municipality's entire rural area, to concentrate the troops (with only defensive weaponry) in the municipal district capital exclusively. Now, Botero was referring to the clearing of "a rural section of the aforementioned municipality" (in other words, no longer the entire rural section), and the concentration of troops (no longer with defensive weaponry alone) in "the area" of the municipal district capital (something that could suggest a zone around that district capital). Later, Botero was especially categorical in stating that this offer was the last one that the government would make. The minister declared: "It will go no further."

The generals did not conceal their pleasure: the demilitarization of La Uribe was becoming increasingly hypothetical (the adjective that Bedoya had used in his memo), and the offer no longer included the entire rural area, but only "a rural section." Meanwhile, the troops could be concentrated, no longer in the district capital alone, but "in the area,", and no further mention was made of their remaining there with only defensive weapons. And, to top it off, the government asserted in the most categorical manner that this proposal was the last one. A Defense Ministry civilian official explained to SEMANA: "The publication of the Bedoya memorandum has, at least for the present, succeeded in stopping the series of concessions to the guerrilla movement: something that has unquestionably put the generals at ease."

At the end of the long work day, the only cudgel brandished by the minister (who, in fact, had no reason to be dissatisfied with the outcome) was the threat of dismissal against those who leaked the Bedoya memorandum, as a possible consequence of "the most exhaustive and stringent investigation." The Army's commander had been spared or, at least, his departure had been postponed until there is a new order. The advantaage for him is that, come what may, on the day when it occurs, it will quite possibly be through the main door.

And what about the peace process? Although, at the end of the week, it was quite difficult to gauge the consequences of these episodes for that process, the fact is that only two options appear to remain: The guerrilla movement may reject this final offer from the government, because it thinks that the president allowed himself to be pressured by the military; or, it may accept the offer, thereby proving that its leaders still retain some willingness for reconciliation.

Peace Commissioner Trujillo Discusses Progress of Talks

PA1707164595 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 17 Jul 95

[Telephone interview with Commissioner for Peace Carlos Holmes Trujillo by Javier Ayala and Judith Sarmiento in the studio; from "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Ayala] Caracol greets this morning Commissioner for Peace Dr. Carlos Holmes Trujillo. Good morning, we would like you to inform Colombians over Caracol about the status of the Colombian Government's efforts to attempt a meeting with the guerrilla groups and the possibilities of a peace dialogue with the rebels.

[Holmes] Good morning. This is a moment of much uncertainty, and as President Samper has said, we need to analyze very carefully how events unfold. To summarize what is taking place for public opinion I would say: first, the FARC [Revolutionary Armed Forces of Colombia] has not yet replied to the latest open letter that was released at the end of last month. Everything, therefore, will depend on how this guerrilla group reacts to President Samper's latest proposals.

Second, the UC-ELN [Camilist Union Army of National Liberation] unilaterally suspended talks that were taking place aimed at laying the basis for an agreement that is practical, true, effective, and verifiable by international human rights in Colombia. Manuel Perez released the weekend before last a rather extensive document on international legal human rights, which merits careful study.

But as I already said, in principle, I would react this way: President Samper proposed humanizing the conflict, and he reiterated his willingness to agree to a mechanism of verification that meets the characteristics of neutrality, independence, experience, and capacity.

The Constitutional Court declared valid [exequible] and lawful its Protocol 2 [words indistinct]. It is going to be very difficult for Colombians to recover their credibility on the viability of a political solution to the conflict unless these agreements, such as the importance of humanizing the conflict, become facts following talks that seriously lead to real and verifiable agreements and a cessation of behavior prohibited under Protocol

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2 —in other words kidnapping, boobytraps, attacks on civilian properties, attacks against noncombatant personnel, attacks that affect the environment, among others.

Regarding the EPL [Popular Liberation Army], contacts continue, but these have not yet become formal talks intended to attain a serious, lasting, and stable peace agreement.

Regarding Bateman Cayon, contacts have also been made intended to advance toward possible talks with that group. I have tried to summarize this as clearly as possible.

[Ayala] Dr. Holmes, for the everyday citizen and in very definite terms, can we expect definite results, true manifestations of peace from the guerrillas?

[Holmes] Yes, no doubt about it, no doubt. The government has made its proposals, they are clear, the president has said it is fundamental for his policy of humanization as long as there is a reciprocal will to get a serious process under way. It will be up to the president in due course to analyze very carefully what the next step should be.

[Sarmiento] With regard to the response to the public letter to the FARC, is there a specific deadline, a clear condition, to learn until when the government will await that answer, Dr. Holmes?

[Holmes] The president said the term was not for an indefinite period. Things, of course, cannot continue as they are, but the chief of state will make the appropriate announcement at the right time.

[Sarmiento] Is there any truth to the report that 7 August will be a date to keep in mind with regard to that response?

[Holmes] The true thing is that 7 August marks the first anniversary of the Samper administration.

[Ayala] To conclude, and getting into another topic, do the government and you, in particular, have any information on Julio Cesar Sanchez and Rodrigo Turbay, who were apparently kidnapped by guerrillas?

[Holmes] We have no information, and I want to take advantage of this opportunity to call on those holding Sanchez and Turbay, so many cattlemen, merchants, industrialists, and fellow countrymen, not just to respect their lives, but to make true gestures that the country can interpret as certain, genuine signals of their commitment. Similarly, I have to refer to foreigners who are currently being held hostage, because their situation is greatly (?hurting), not just the credibility of Colombians and the viability of a political solution, but also hurting significantly the image of Colombia abroad and the commitment that many countries have so generously expressed with regard to their willingness to cooperate for a successful conclusion of the future negotiations with the guerrillas in our country.

[Ayala] According to an unofficial version, Turbay and Sanchez are being held as part of a guerrilla plan to add hostages in this peace process. Do you have any information on the matter?

[Holme] No, I do not, but I cannot help saying that hostage-taking does not just hurt the country, the sensitivity of the nation, and public opinion, but also harms significantly the credibility that is necessary to build into a process of this nature.

Municipalities' Debt Burden 'Shot Out of Sight'

95CA0294A Santa Fe de Bogota SEMANA in Spanish 27 Jun 95 pp 52-53

[Article: "The Black Hole"; first paragraph is SEMANA introduction]

[FBIS Translated Text] The debt of the municipalities has shot out of sight and no one knows how high it will go or how to stop it.

The date of 9 May got off to a bad start in the Bolivarian town of Barranco de Loba. At dawn, Mayor Demostenes Fonseca threw in the towel and hanged himself from a rafter. Nor was this drastic decision the product of any wild passion or existential crisis. Rather, it was Fonseca's solution to the bankruptcy of his municipality. Since the month of January, when he entered office, he had spent his time "putting out fires" and, when nothing else could be done, trying to meet the town's debts. Realizing at long last that, under the circumstances, it was impossible for him to keep his campaign promises and, rather than admit his failure and thus betray the town that had believed in him, he chose to take his own life.

Fonseca's fate, which seems to be more of a bitter tale than a national event, served as an example for the national government, which is currently tearing its hair over the increase in the municipal debt and sounding the alarm about the terrible consequences which the abuse of this resource could have in terms of macroeconomic stability.

Furthermore, sounding the alarm is the only thing it can do because the laws on the books prevent it from taking action on the regional debt. Mayors and governors alike enjoy total autonomy in this area, meaning that it is practically impossible to ascertain the total amount of the regions' debt. The only reliable information is in the hands of the Banking Superintendency's Risk

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Division. Based on this information, the amount totals an estimated 480 billion pesos, a 190-percent increase over last year. If there are gaps in the Ministry of Finance's information, however, the mayors are in no better position. Local communities have no accounting system enabling them to ascertain the amount of their assets and liabilities. Officials consequently depend on their cash flow to determine resources on hand.

Nevertheless, there is enough information available to determine that the regional and municipal debt in particular has spiraled. In 1988, it made up .15 percent of the gross domestic product, compared with 1.9 percent in 1994. The causes of the escalation are complex and diverse. The process of decentralization has given the municipalities autonomy, added resources, increased powers. As a result of the transfers, local communities have fixed revenue to allocate. This situation paved the way to the financial market, which now views the mayors as its best customers. In Sincelejo, for example, the surcharge on gasoline is undergoing review, but Mayor Alberto Lizardo Gomez has already received several loan proposals to finance the highway plan.

Not only can credits be obtained easily, but town mayors serve very short terms. An administration can commit its entire debt capacity on unfavorable terms (the average is 3 years and, at DTF plus 10 points, a margin far superior to what industry is charged) and pass on the "little problem" to the next mayor. To give but two examples, the governors of Santa Marta, Edgardo Vives, and Marsella, Risaralda, Libardo Gomez Carmona, were stuck with the accumulated debts. They had no choice but to sit down with their creditors and refinance—thus foregoing investments during their respective terms in office.

If transfers complicated the situation, royalties meant sheer lunacy. Localities taking in money by working mining resources think they are the new "Beverly Hillbillies" and have begun applying for loans. Arauca enjoyed an oil boom, but has nothing but debts to show for it. Tolu, a port that exports hydrocarbons, is on the same path. Its debt rose 1,600 percent between 1993 and 1994.

Sounder means of obtaining resources such as taxes are unpopular, and the mayors' position is ambiguous. On the one hand, they do not deny the importance of increasing tax resources, but claim that in order to increase revenue, a period of transition is needed. "People here have not been used to paying taxes because of the system of bossism, and the revenue we take in from land taxes is still very little," the mayor of Sincelejo explains. They also allege that fiscal efficiency does not depend solely on the good intentions of the mayor in power. Rather, "we must expand and update the cadastre, which imposes a heavy burden on the municipalities," Fusagasuga Mayor Cesar Augusto Manrique argues. Even worse, in terms of paying the land tax, the national government has not set the best example. Its institutions owe some 12 billion pesos to the municipalities for the 1995 period alone.

However, above and beyond this fact, it is over and over the same thing. It is easier for the mayors and governors to go deep into debt than to collect taxes. In the final analysis, they do not have to pay their debt to financial institutions, but they do pay for unpopularity!

This is why the national government has tried to rein in sectional officials. Now it must wait for Congress to approve measures to control the municipal and regional debt, in the form of a bill, in order to prevent more than 1,000 mayors from deserting its macroeconomic policy.

Nor is that all. Everyone understands that spending in the towns and cities has shot up because of burgeoning transfers and the debt, but serious doubts exist about the effectiveness of increased resources, particularly in the face of growing evidence of increasing corruption, more bureaucracy, and plush projects. This is the darker side of decentralization, which in turn has meant problems with managing the government's economic policy. This has so far been limited to appealing to reason in an attempt to convince mayors and governors that a good administrator is not one who spends the most, but the one who best manages the public's monies.

Paraguay

Security Reinforced Over Possible Terrorist Attack

PY1707151195 Asuncion NOTICIAS in Spanish 16 Jul 95 pp 12, 13

[FBIS Translated Text] Following a U.S. State Department warning about a possible terrorist attack somewhere in South America, security measures at U.S. and Israeli facilities in our country have been reinforced.

Police forces and the intelligence service, which is operating jointly with the FBI and with agents from border countries, have been placed on alert.

Access to the diplomatic missions that could be targets for attack has been restricted.

Photographs are not allowed to be taken of the U.S. Embassy. Using special equipment, it was possible to take a few photographs yesterday.

Strangers are not allowed to enter the Israeli Embassy building.

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A recreation ground frequently used by Jews is also being guarded. Police are strictly controlling the residences of the Israeli and U.S. ambassadors.

Attacks could be perpetrated this month. A date is being considered, 18 July, which is Tuesday.

The first anniversary of the attack against the Argentine-Israeli Mutual Association (AMIA) in Buenos Aires will be marked on 18 July. Over 100 people, mostly Jews, died in that attack.

It has also been reported that the preparations for transferring the seven Lebanese citizens have been completed. Their extradition, which had been requested by Argentine criminal Judge Roberto Marquevich, has been approved by Criminal Judge Jose Emilio Yaluk.

Superintendent General Mario Agustin Sapriza, the National Police commander, had noted that the extradition of these Lebanese citizens could prompt reprisals.

Police sources reported that shortly after detaining these Lebanese citizens they had received death threats over the telephone.

An anonymous caller warned: "If the Lebanese are not released, a great deal of blood will be shed."

Judge Carlos Monges, who initially heard the case, also received threats. Security measures have been reinforced to protect the judge. Judge Jose Emilio Yaluk has also received threats.

It is believed that at least three of these Lebanese citizens were involved in the terrorist attacks perpetrated in the neighboring country.

Peru

President Approves Applicability of Amnesty Law

PY1707153995 Lima EXPRESO in Spanish 3 Jul 95 p A2

[FBIS Translated Text] President Alberto Fujimori yesterday promulgated Law No. 26492 whereby the implementation of the controversial Amnesty Law becomes compulsory.

The resolution issued by Judge Antonia Saquicuray, by which the amnesty is not applicable to those involved in the murder of 15 people in a house in Barrios Altos in November 1991, thus becomes ineffective.

Judge Saquicuray's ruling had also been ratified by Attorney General Carlos Mansilla.

The law, which is considered interpretative, states that the so-called Amnesty Law "neither implies meddling in the exercise of jurisdictional functions nor violates the state's duty to respect and guarantee the full implementation of human rights, as recognized by Article 44 of the Constitution and among other treaties by the American Human Rights Convention."

The law also establishes that the amnesty granted by the legislative branch "is not revisable by the judicial branch," as this is "a right of grace that is granted exclusively by Congress in compliance with paragraph 6 of Article 102 of the national Constitution."

In this regard, it states that "Article 1 of Law No. 26479 should be interpreted in the sense that the general amnesty is of a compulsory nature, must be implemented by the jurisdictional organizations, and includes all cases deriving or originating from the anti-terrorist fight, committed either individually or by a group, from May 1980 to 14 June 1995."

It also states that this amnesty is applicable "regardless of whether the involved military, police, or civilian personnel are accused, under investigation, under prosecution, or sentenced; all judicial cases, whether in proceedings or carried out, are thus hereby definitively shelved."

The law is signed by President Alberto Fujimori and by Council of Ministers President Efrain Goldenberg.

Troops on 'Red Alert' for Presidential Inauguration

PY1707191595 Madrid EFE in Spanish 1733 GMT 16 Jul 95

[FBIS Translated Text] Lima, 16 Jul (EFE) — Today a military source disclosed that police and military troops stationed in Lima have been put on "red alert" to prevent possible terrorist attacks in Lima in view of President Alberto Fujimori's upcoming inauguration.

In particular, the security forces are patrolling the highways in search of 26 vehicles stolen from several Lima neighborhoods during the past three days, which according to police sources could be used as car bombs by terrorist groups.

Spokesmen for the Peruvian Armed Forces Joint Command have disclosed that approximately 6,000 men will be in charge of patrolling Lima on 28 July to safeguard public order during the inauguration of Alberto Fujimori's second term in office.

The sources added that tight safety measures will surround the chiefs of states, diplomats, and politicians specially invited to the event by the Peruvian Government.

With the implementation of the "red alert" plan yesterday, all hotels where the guests will stay are under military guard during 27, 28, and 29 July.

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The roads adjacent to the hotels, which have been provided with special devices to deactivate bombs, are guarded by military and police personnel.

General Nicolas Hermoza Rios, president of the Peruvian Armed Forces Joint Command, Interior Minister Juan Briones Davila, and Chief of Police Victor Alva Plascencia have reportedly held several meetings these past days to give the finishing touches to the "Master Security Plan."

One of the measures adopted has been to reactivate the so-called "saturation" and "dragnet" operations on the roads of access to Lima, as well as in the outskirting neighborhoods, where the Shining Path Maoist group operates, to prevent it from carrying out any terrorist plan.

Further Details Provided on Shining Path Dismantling

PY1807040295 Madrid EFE in Spanish 0929 GMT 17 Jul 95

[FBIS Translated Text] Lima, 17 Jul (EFE) — Within the past few days, the National Counterterrorism Directorate (Dincote) has dismantled the so-called "New Network" of the Shining Path [SL] that was planning terrorist actions in the next few days.

Police sources reported that the seven captured terrorists were planning to carry out attacks in Lima and were responsible for the car-bomb attack on a bank in Lima on 16 May.

The most important capture was that of Fanny Janet Tineo Sanchez, 35 years of age, aka "Sara," who heads the "New Network," group and the political command of the Committee of Relatives of People's Aid of the SL.

"Sara" is the one who prepared and activated the car-bomb used in the attack against the bank branch. She had on her agenda dozens of attacks set for the next few days.

Police sources said that "Sara" has been a Shining Path member since 1990, and that she went underground after leaving her studies at a university in Lima.

It was learned that "New Network" emerged after a "party meeting" of the Committee of Relatives of People's Aid held in October 1993 at the home of lawyer Alcides Espinoza, aka "Pablo," who is at large, and his wife, Margarita Chuqiure, aka "Gloria," who is in prison.

It was decided at that meeting that the SL Central Committee would create a "new party apparatus" for which it had a "pilot plan"; the apparatus was to be called "New Network."

From then on, the "New Network" was of the same level as other "party apparatus" groups such as the Metropolitan Regional Committee and the People's Aid. Its main goal was to reorganize the SL.

The new organization also had to expel the "revisionists" and "opportunists" who supported the peace agreement proposed in 1992 by Abimael Guzman, Comrade "Gonzalo," ex-leader of the SL, who is in prison.

The other SL members arrested by the Peruvian Police last week are Alberto Carreno Moscol, 29 years of age, aka "Antonio," who was a member of the logistical command of the Committee of Relatives of People's Aid; Teodoro Memenza Allca, 40 years of age; Jenny Reyes Guerra, 24 years of age, aka "Wendy"; Benjamin Masgo Duenas, 31 years of age, aka "Mateo"; Toribio Candia, 37 years of age, aka "Alberto"; and Ana Ortiz Ramirez, 24 years of age, aka "Ines."

With the dismantling of the "New Network," only two regional committees would be operating in Peru: the Huallaga Regional Committee and the Eastern Zone Committee of Lima.

The other regional committees (the main committee in Ayacucho, the southern committee that included Puno Department, the Mantaro committee in the central region, and the northern committee) have already disappeared, according to the latest reports of the Dincote.

The Peruvian Army has verified the growing alliance between terrorism and some "firms" of drug traffickers operating in the so-called "coca belt" located between the jungle of Juanjui, San Martin Department, and San Francisco, in the Ayacucho jungle.

Police sources reported that some 200 SL members make up the force that operates in the coca belt in alliance with drug trafficking.

This force is equipped with radio transmitters, bullet-proof vests, grenades, rocket launchers, and sub-machineguns to obtain food to survive.

The latest attack occurred on 16 July in San Juan de Cumasebo, where an SL force took over the town and then took away boys over 11 years of age and young men and women to become members.

It was learned that despite the blows dealt by the Peruvian Army, the narcoterrorist activity in the zone has increased. A discovery was even made with regard to a connection between the SL and the Colombian Cali cartel after the capture of 19 narcoterrorists on 14 July.

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The Army seized military weapons and ammunition the terrorists received from Colombian drug traffickers as payment.

Flores Nano Comments on PCC's, Country's Future

95SM0407A Lima DEBATE in Spanish
May-Jun 95 pp 6-13

[Interview with Lourdes Flores Nano, Popular Christian Party, by Luis Jaime Cisneros H.; place and date not given: "The PCC Needs To Be Reborn"]

[FBIS Translated Text] Lourdes Flores Nano (Lima, 1959) earned a degree in law at the Catholic University of Peru and pursued postgraduate studies in Madrid. She entered political life in 1981 in the ranks of the Popular Christian Party [PPC]. She has been a member of the Lima Municipal Council and has served as a deputy (1990-1992) and as a member of the Democratic Constituent Congress [CCD]. Since 1992, she has headed the collegiate Secretariat-General of the PPC, from which post she resigned a few days ago as a result of the limited votes won by her party in the April election. At the end of 1995, or perhaps sooner, a party congress will decide whether the future of PPC requires a total rebirth, as Flores Nano suggests in this interview, or whether it will merely opt for an agonizing process of renovation.

[Cisneros] In a talk we had prior to 9 April, you predicted that the next congress would be "pluralistic," and it was your belief that Change 90 would win between 25 percent and 30 percent of the votes, the UPP between 10 percent and 15 percent, the political groups (AP [Popular Action], APRA [American Popular Revolutionary Alliance], PPC, Renewal, and FIM [Independent Moralization Front]) between 5 percent and 10 percent each, with the remaining 12 percent to 15 percent distributed among the other groups. You commented that "there will be an interesting new power spectrum in Peru." But your expectations were not realized. Do you still support your thesis of representation in the political system?

[Flores Nano] Despite the sweeping victory won by President Alberto Fujimori, I still advocate my theory of representation in the Peruvian political system. In some way, the PPC must contribute to the development of a new political system. One sensible alternative could be "suspending the club and establishing another," as the saying goes. This does not mean taking the ideology out of the PPC. On the contrary, we would need to seek a broader and more open trend of thought, perhaps via the route of humanism, that will be better received than the Social Christian ideology. In terms of temporary support, Fujimori does not need anyone for the time being. The PPC has a program based on identifiable themes it wants to carry out.

[Cisneros] How do you explain the votes won by the various political parties?

[Flores Nano] What the political parties in Peru have represented has obviously become outdated, and this is a subject that I believe must be dealt with in the most professional and objective manner possible. Our new parliamentary representation forces us to review the level of our presence on the national scene, to decide whether we must recruit new people, etc. It will be necessary to make courageous decisions. The PPC needs to be "reborn" if what we want is to develop new impetus.

[Cisneros] Was your resignation from the Secretariat-General of the PPC due exclusively to the election results, or were there other reasons?

[Flores Nano] I resigned from my position as a concrete expression of the results in the electoral process, in which my party was not endorsed to the extent of my expectations. In the final analysis, I was the organizer of the parliamentary slate. Mine was a realistic decision, bearing in mind the disastrous parliamentary results obtained by the PPC. I will continue to be an active member, but I believe that the party leadership needs more objective and more pragmatic people.

[Cisneros] What had you expected?

[Flores Nano] I firmly believed that the PPC would win between five percent and seven percent of the votes. I never imagined that we would obtain only three percent. Since in the CCD we won about eight percent of the votes, I suspect that there was a shift in some of our expected votes to Fujimori. The real, concrete fact is that the people voted to give "all the power to the servant of the people." The political scenario did not polarize in the way I thought it would. On the contrary, it was monopolized, which is dangerous because it creates the impression that there is no room for contrast in Peru.

[Cisneros] Paradoxically, the majority in the Congress does not constitute a destabilizing factor, insofar as it is a unicameral parliament that could enjoy great power.

[Flores Nano] This is the result of what we have been experiencing with President Fujimori since 1990. A victory for Ambassador Perez de Cuellar would have meant the triumph of a leader committed to seeking concertation on a broad political base, a democratic transition in which the Peruvian political system and democratic institutional system would have to be reorganized. But in political terms, this second government of President Fujimori's cannot be any less transitional.

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[Cisneros] Transitional in what sense?

[Flores Nano] This is the case in the sense that while the electoral results presume support of government by a "boss," a certain additional factor exists now. The process between 1995 and 2000 must involve the reorganization of the political system. First of all, Fujimori cannot plan to continue to base his power on the military leadership, nor on the maintenance of permanent conflict with the Congress, because this would totally deprive the country of viability and stability. In order to ensure support for his next government, Fujimori will have to seek an understanding with the parliamentary groups. This does not presume permanent alliances, but rather the capacity to reach a level of compromise.

[Cisneros] What would the minimal agenda, on the basis of which it should or would be possible to achieve agreement between the executive and the legislative branches, be like?

[Flores Nano] It would include issues on which the support of a clear majority can be obtained—for example, the economic issues. It seems to me very hard to imagine any disruption, even within the new parliament, in the economic reform launched by Fujimori's government. The economic model will have to be perfected in some respects in order to guarantee its viability. There will be some political sectors that will try to show that the model has failed. And I believe that it will be the "Alanist" faction in the parliament that will try to promote this view.

[Cisneros] Do you discount any role that might be played by a president of the Council of Ministers that has been strengthened under the new Fujimori government?

[Flores Nano] This possibility is difficult to gauge because of the personality of the head of the cabinet, but he will indeed have to have a different kind of relationship with the parliament. The new constitution has strengthened the position of the prime minister in that he has been assigned various additional functions, such as serving as the cabinet spokesman, but not to the point of making him the prime minister of a parliamentary regime. The new government will have to take these prerogatives into account, as the new constitution orders. One of these important functions, for example, is the periodic appearance of the prime minister for question periods—the feature that brings us closer to a parliamentary regime.

[Cisneros] A prime minister who would have to defend the government on every problem...

[Flores Nano] He will have the task of maintaining political relations including those involving clashes. The prime minister can in the end serve as a lightning rod when an unfortunate policy is involved, thus avoiding the sacrifice of the image of the chief of state. If this scenario should develop, it would provide an excellent opportunity for assessing the extent to which we are able to build adequate bridges between the cabinet and the parliament.

[Cisneros] But with a president like Fujimori, this does not seem like a viable scenario.

[Flores Nano] With Fujimori, two things could happen. There could either be a self-coup, like that on 5 April, or a kind of tacit alliance. Especially on economic issues—where, with the opposing sides speaking in terms of black and white, the debate could center on whether the privatizations should continue, or whether we should have an open economy or return to a guided economy. The positions adopted in the parliament will be clearly established along these main guidelines. In the economic sector, I believe it would be very difficult to avoid an ideological confrontation with the APRA or some of the radical sectors on the left. The major issue—developing an institutional system in the country—is more complicated, but this must be accomplished.

[Cisneros] What other issues might be central?

[Flores Nano] An excellent opportunity for setting in motion a mechanism for developing understanding between the parliament and the cabinet could be created by the debate on the budget laws. Nothing would be more unfortunate than a repetition of the absurd confrontations in the budget sector of the 1990-1991 period. It must not be forgotten that the 1979 Constitution, like that of 1993, regarded the budget as a tool that should be used to achieve great understanding, a high level of negotiation, between the government and the parliament. A short time ago, someone showed me copies of EL MERCURIO in which it was reported that a minimal agreement had been achieved in the Chilean parliament between the government and the opposition on expenditure priorities. Would that we might be able to achieve something of this sort in Peru, because I believe that all of the policies, all of the plans of the government, converge on one axis—the issue of poverty and social expenditures.

[Cisneros] What changes in the economic program will be proposed in the parliament?

[Flores Nano] Tax reform is one priority task, although the Constitution has given the executive branch greater authority with the requirement that it express its views on the tax laws on which amendments are being sought. The foreign debt issue might also be defined in the course of debate on the indebtedness laws and the

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adjustments required in the area of renegotiating the debt.

[Cisneros] Now that you are maintaining a certain distance, do you believe, as some others do, that Fujimori has been the Pinochet some Peruvians thought the country needed for the 1990s?

[Flores Nano] It is impossible to deny that this has been an authoritarian regime. It is obvious that its power has not been based on a political organization and that over the course of 60 months, Fujimori has not been able to create a political movement that truly supports him. It is also evident that he is supported in power by an undeniable popularity that represents scattered endorsement by the citizens, while on the other hand it is true that the Armed Forces are a basic pillar of his regime. In this sense it is an authoritarian regime.

[Cisneros] Does your greatest concern about the future of the country, with a view to the next century, tend more toward basic questions than toward questions of form?

[Flores Nano] The central theme for the next five years will be democratic stability. We have Fujimori, who is incapable of removing the military leadership, and therefore discontent is continuing to develop within the Armed Forces—where it is obvious that a kind of blockage has developed, with commanding generals in retirement, little professional training for officers, and politicization on the intermediary levels. If Fujimori is unable to resolve this situation, which requires creating a different power base, it is because he is politically tied to this military leadership in a relationship of mutual interdependence. In his desire to show that he is not inflexible, Fujimori might now be willing to surrender some power—in order, for example, to promote decentralization, knowing that he cannot count on a base of his own and that he does not control the municipalities or regions, since he is the negation of everything meant by the delegation of power. All of these things are factors in instability.

[Cisneros] The political parties are still recovering from the discredit that has befallen their principal leaders, many of whom now hold rather high rank. Are you not frustrated at having been caught up as a traditional politician in the PPC?

[Flores Nano] I have always believed that something had gone wrong in order for political groups that were a part of an ideological scenario to suffer political splintering within a sector of the citizenry that, willingly or unwillingly, thought the same and shared the same scenario. But the picture as I envision it for the period between 1995 and the year 2000 is a much darker one. This is because as a result of the broadening of the political spectrum of those who believe in a free economy (the great principle the PPC defended against the popular current in the 1980s), the situation will be characterized by unpardonable divisions. I would sincerely like to contribute to ensuring that this splintering is not the political legacy our generation hands on, because we would be committing exactly the same error—in more serious form—as the preceding generation. For this reason, I believe that my own party must embark upon a very important process of internal discussion.

[Cisneros] Might you form a new alliance with groups such as the FIM [Independent Moralization Front] and National Renewal, since they occupy a similar electoral space?

[Flores Nano] Well, we have shared the space of those who in the 1980s thought that we should move toward a freer economy, without concerning ourselves with the ideological issue. It is necessary to revise the entire system that brings together the individuals like ourselves who think this way. In the course of this electoral process, it was very difficult for us to enlist people, because most were uninterested in anything having to do with the parties. This is something I want to consider very maturely. Is it better to continue with this absurd competition of factions fighting for the same electoral space, or is it necessary to find other methods that avoid forcing the voter to choose a candidate because he likes the color of the eyes of one group's leader or the determination of the leader of some other faction? If we do not achieve this goal, we will never achieve a stable country.

[Cisneros] Sharing the same platform space with the government has earned the PPC a number of internal criticisms and resignations. What is your opinion of the leaders who have left the PPC?

[Flores Nano] I have very bitter feelings toward people who leave the party when times are hard. I am pained by those who, thinking of their own personal ambitions, have "fled from" the PPC to avoid being injured by the party crisis.

[Cisneros] Can you cite some examples, please?

[Flores Nano] Miraflores Mayor Luis Andrade, who was elected twice with the sponsorship of the PPC, withdrew because from an electoral point of view, it suits him better now to represent himself as an independent. There is no justification for this. It is an indication of personal ambition, a desire to be "the boss," and I do not approve of this. Such situations poison the political system. On the basis of a personal program, an individual will adapt

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to what suits him best. This upsets me in terms of my vision of the country, because party membership did not serve the purposes of these people. The Andrade case provides a typical example of the calculation of electoral and personal benefit based on a survey to determine "how he would be better viewed—inside or outside the party." Andrade is a typical product of the pragmatism that has characterized us since 1990. These individuals are the creatures of political pragmatism, and with this system we are going to have an isolated scattering of leaders.

[Cisneros] Wasn't the withdrawal of your presidential candidacy an instance of electoral calculation?

[Flores Nano] If there were something I regret, it would be not having pursued my presidential candidacy through to the end. The PPC chose to participate in the presidential election because there was a need to defend the party institutional system, to rescue the country from a political situation. At the time of my withdrawal, we were concerned with the future, and this was the thinking in the PPC because I want to be part of a future project until the eventual reorganization of the party is achieved.

[Cisneros] What, in your view, should be the five points on the government agenda for the coming five-year term?

[Flores Nano] The first point has to do with maintaining the guidelines of an open economy until the model can be transformed into an authentic social-market economy, as the Constitution stipulates. The state must honor its obligations in terms of social expenditure priorities and its task of promoting employment. I would like the agenda to demonstrate to the poor that this model is the only one that will really allow the country to grow and develop the struggle against poverty. It will also be necessary to continue reform, but with adjustments that will avoid social outbreaks.

[Cisneros] What is the second point?

[Flores Nano] I link it with social expenditures. I believe in the concept of focus where these activities are concerned. I have read interesting data about the universalization of expenditures in certain regions of the country, and this seems to me to be valid. It is necessary to focus expenditures on infant nutrition, basic health, and primary education. It must be concentrated geographically, and the same must be done with nutrition in the Andean zone, for example. The third point involves developing a stronger institutional system by the end of the five-year period. This presumes legal constitutional reforms and a political determination to decentralize. The reform of the judicial and executive branches, of the diplomatic service, of the Armed Forces, and of the political system must be completed. If we can establish order in this institutional base, we will have provided the country with stability. The fourth element involves completing pacification. We must make the transition from the stage of military struggle against terrorism to the generation of jobs in the rural zones. It is necessary to make decisions about the peasant patrols and the displaced persons. Finally, another issue on the government agenda with the next century approaching will be the war that Peru must wage in the coming months against drug trafficking. This is a security matter that we cannot afford to neglect.

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